2017 REPORT TO MEMBERS
Inside the Chicago brownstone of PURE members Tom Stringer and Scott Waller.
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Dear Fellow PURE Members,

We pride ourselves on maintaining a culture of empathy. In the second half of 2017, there were many instances when we found it difficult to put ourselves in the shoes of so many PURE members. We tried to empathize with the Houstonians who watched more than 50 inches of rain fall in a matter of days and wash away parts of their community. We followed closely the formation and development of Hurricane Irma into the most powerful storm ever measured in the Atlantic Basin, offering whatever advice and assistance we could for defending against a storm packing 185-mile-per-hour winds. We were deeply engaged in the effort to mitigate potential damage from record-setting wildfires in Northern and Southern California, but it is still difficult to fully appreciate the emotion that comes when such fierce firestorms move with the force and velocity that we witnessed. For many weeks, we opened every morning with a briefing from our catastrophe response team and asked them to measure the mood of the membership during such trying times. Inevitably, our Claims professionals shared stories of the warmth, calm and grace that PURE members showed to our staff as they attempted to do their jobs. To all of the PURE members who went through one of the many catastrophic events in 2017, you have our deepest respect for the strength and resiliency you showed.

Your insurance company emerged from 2017 bigger, stronger and smarter, brimming with ideas of how we can even better serve the membership in the future. Premiums grew by over 22 percent, fueled by referrals from existing members. Policyholder surplus in the PURE Group of Insurance Companies increased by more than 30 percent and passed $400,000,000 by year’s end. The strong underwriting results of the first half of the year largely held up through the very active second half of the year. Investment returns were strong all year long, and the capital flexibility of the PURE Group was on full display as the parent company of the Attorney-in-Fact made investments in the pooled reinsurer, PURE Insurance Company. Surplus contributions from the PURE membership continue to provide a critical, low-cost source of capital that builds our balance sheet, keeps premiums low and reduces the influence of outside shareholders. All in all, I am very proud of our financial performance.

MORE CAPABILITIES AND A BETTER MEMBER EXPERIENCE

Throughout the year, we continued to grow PURE Programs, a business launched in late 2016 designed to serve those with high-value and high-risk exposures. Through PURE Programs, we aim to deliver world-class services to an underserved segment of the market without assuming the risk. We have partnered with two high-quality insurers thus far who underwrite these policies while we serve as the managing general underwriter and program administrator. This business has allowed us to deepen relations with existing members and invest in additional claims and risk management resources to serve all members.

We also acquired a specialty fine arts company, The Haven Art Group, which has already delivered for the PURE membership, particularly during the catastrophes. I have known Claire Marmion, CEO of Haven, for more than twenty years and hold her in the highest regard. Claire and her team deliver two sets of services. They provide full curatorial services to art collectors, helping their clients preserve and enhance the value and enjoyment of their collections. They also have a claims-management business resolving insurance claims for museums, galleries, private clients and other art-related issues. Increasingly, the Haven team is helping PURE members pursue their passion for art collecting with greater confidence. If you need assistance acquiring a new piece or an updated valuation for your collection, Haven can help. Many services are complimentary to PURE members, while larger-scope projects are fee based. We have all been so impressed by Claire and her team, and we’re delighted to have them on board.
We also advanced important innovations in the products we offer. By changing the way we develop premiums for higher-limit liability policies, we began the process of fixing a problem that has frustrated consumers for many years. For those of you who want to sleep better knowing you have a very significant liability limit protecting your assets, we now charge a linear rate for the higher limits. A $20,000,000 Personal Excess Liability limit will now cost twice the amount of a $10,000,000 limit. A $50,000,000 policy will now cost twice what the same person would pay for $25,000,000. In the past, if you fought through to buy a higher limit, you paid a high price. If the high prices inhibited you from buying the limit you wanted, you bought too little. Arguably, nobody got it right. Our approach is simple and logical.

We launched a new product, PURE Starling™, aimed at providing a more complete financial response to online and offline fraud. We have worked hard to provide advice for our membership to help combat the growing impact of cybercriminals. We are very pleased to now offer an insurance product that will indemnify our members for their covered financial loss, up to $1,000,000. The product is available in the vast majority of states, and I encourage you to speak to your broker about how it could protect you.

Your enthusiasm continues to be one of our primary measures of success. Our Net Promoter Score increased again to 71.

CULTURE AND COMMUNITY

Our ability to deliver an exceptional member experience starts with putting the most talented people in an environment where they feel safe, trusted and confident, so they can do their best work. Our team has come together to earn recognition for Best Places to Work, as well as prestigious honors for Best Places to Work for Women. Across the country, we have witnessed a renewed conversation about harassment, equal pay and the importance of creating a safe and inclusive workplace for everyone. We are humble enough to know we are not perfect, but I am confident we are getting better every day. Today, more than 30 percent of our senior leaders are female. It’s an improvement, but it’s not enough. We are committed to fulfilling our promise to have equal composition of and contributions from men and women in our senior ranks.

Across the insurance industry, a crisis is brewing as a large part of the industry workforce prepares for retirement while there seems to be a shortage of young talent. Fortunately, that is not the case at PURE. We hired over 50 college graduates in 2017 for their first jobs in Claims, Underwriting, Actuarial, Product Management and Member Services. Over the past seven years, we have hired almost 200 graduate trainees from some of the top schools in the country. Our retention rate remains nearly 90 percent, and we still enjoy seeing 100 percent of the 2010 class come to work and make great contributions. I don’t want to give away all of our recruiting secrets, but I attribute some of our success to a focus on strong liberal arts colleges where we find curious young men and women with strong skills in critical thinking. Second, we strongly believe that being a purpose-driven organization makes us attractive to all candidates, especially those of the younger generation, who eagerly want to understand “why” we do what we do. Lastly, it helps a great deal to be growing and investing and in an environment where opportunity is clearly visible.

The voice of our employees continues to grow, and in 2017, they spoke loudly about their desire to give back to the communities where we live and serve. We launched an initiative to invest 500 days of volunteering across the country within one year. Office by office, we have helped improve third-grade literacy through reading programs and book drives, fought homelessness through initiatives for affordable housing and volunteer work at local shelters and raised awareness and funds for causes that are most personal to
our staff as they and family members fight deadly diseases. You can read more about our team’s volunteer efforts in the pages ahead.

The biggest financial commitment to help our communities came through our sponsorship of the PURE Insurance Championship Impacting The First Tee. The First Tee, one of the most successful youth development programs in the country, teaches life skills through the game of golf. A few First Tee graduates have gone on to great success in professional golf. Millions of First Tee graduates will have greater success in life due to the reinforcement of the Nine Core Values of The First Tee and the lessons learned through this remarkable program. The PURE Insurance Championship Impacting The First Tee might be the best event of any of the PGA TOUR events. It brings together the legends of golf with business leaders and 81 of the most inspiring young men and women you will ever meet. And the venue is the famed Pebble Beach Golf Links. We are most proud of our partnership with The First Tee, the PGA TOUR Champions, and the host organization of the event, the Monterey Peninsula Foundation, which raises funds to benefit local charities in addition to The First Tee. If you’re in Northern California September 28–30, please stop by the 2018 event as our guest. Otherwise, I hope you’ll watch Bernhard Langer try to defend his title on The Golf Channel.

LOOKING FORWARD

While we hope every New Year will break the trend of damaging, extreme weather events, it seems inevitable that we will see more. When Hurricane Matthew made landfall roughly 18 months ago, we had one dedicated catastrophe adjuster who could drop everything and be on-site to begin our response. Today, we have 14 full-time adjusters on staff who are dedicated to catastrophe response. We have learned from our experiences and believe we can design our coverages to be even more responsive and deploy our resources to have an even greater impact in your recovery. When a catastrophe hits, we will be ready.

We are increasing our efforts to prevent losses from happening in the first place. Two years ago, we hired a talented data scientist, and she has assembled a first-class team. Their ability to build models that more accurately predict future losses has given our Underwriting team greater confidence in their decision-making and helps our Risk Management team prioritize their engagement. We want our Risk Management professionals to have an ongoing relationship with the membership and to take it personally when one of their assigned members has a claim. Lastly, the technology to impact potential claims is getting better and cheaper. Three years ago, our membership suffered an unacceptable number of burst pipes claims during an extremely cold winter. Today, more and more of our membership can adjust the heat in their homes when they are away during the winter to avoid returning to a disaster. We will continue to research and share the newest and best technologies to prevent water damage and other avoidable losses. If you find them first, I would be grateful if you would share your experiences.

A PURE member shared with me his view that “luxury once meant having people to do things for you, and today, luxury means being able to do it yourself—often on your phone—and with no friction.”
I have challenged our team to reflect on this observation and to increasingly digitize our business and reduce friction wherever possible. We have gathered dozens of the best independent insurance brokers for their wisdom, and we are dedicating a group of marketing and technology professionals to make improvements, big and small, that will enhance the member experience. We are committed to a journey of continuous improvement, and as we begin to advance these efforts, I hope you will notice things becoming easier and easier when dealing with PURE.

Over the years, we have made good use of reinsurance to further strengthen our claims-paying ability. We buy catastrophic coverage to ensure we can honor all of our obligations in the face of some of the most extreme events, and we buy proportional (or quota share) reinsurance as a partnership that shares our results with reinsurers and serves as a flexible source of capital. The catastrophe reinsurance market saw some of its first losses in a long time in 2017 and will be looking for rate increases for future renewals. All things considered, our results have been excellent, and no single event triggered a catastrophe reinsurance claim. Hopefully, our excellent results will be part of the consideration as we prepare for our renewal negotiations. Our quota share reinsurers have done better in some product lines than others. For those reinsurers who participate across the board on all of our treaties, most years have been positive. Looking forward, we need to expect some increase in the cost of our reinsurance. Rates across the industry will likely be moving up in 2018, and we foresee maintaining a highly competitive rate position.

In January of 2006, Martin Hartley, Jeff Paraschac and I launched a partnership with Stone Point Capital to create a new kind of insurance company with old-school values. Today, Martin, Jeff and I are still hard at work, and we continue to enjoy our partnership with Stone Point as we enter our 13th year together. There aren’t many private equity sponsors who stay with operators well into their second decade, but Stone Point isn’t your average partner. They have believed in our vision that if we put our focus on the membership, the investor-owned parts of the PURE Group will do great. Alignment of interests wasn’t some buzzword but an essential commitment by all of us. Over the past 12 years, we have added more than 600 colleagues, another prestigious investment partner (KKR) and a third, highly regarded institutional investor (XL Catlin). When I think about our employees, our investors and the partnerships we enjoy with the best insurance brokers in our niche, I am well aware of how fortunate I am to do important and purposeful work and to do it with people for whom I have great respect and admiration.

I thank you for your membership and your continued support of PURE and wish you a safe, healthy and prosperous year ahead.

Ross Buchmueller
President and CEO
Dear Fellow Members,

When I started to think about this letter, the Northeast was gripped in a historic cold spell, and our insurance company was actively engaged with us to prevent as many water damage losses as possible. From a claims perspective, 2017 was marked by unprecedented hurricane landfalls in Florida and Texas and record-setting wildfires in California. Throughout these events, the PURE Subscribers’ Advisory Committee (SAC) was highly engaged with management and their Claims team. I am most proud of the diligence and collaboration of this group.

We all take great pride in our affiliation with PURE. The past 12 years have been an extraordinary success story for PURE—to have played a small part in that success is deeply satisfying to everyone on the committee. By our committee name and by statute, our role is largely advisory; we take seriously the opportunity to share our views with management on behalf of PURE members, assuring their commitment to a strict alignment of interests with members and the delivery of a service standard that is the nonpareil in the insurance industry.

Our principal statutory responsibility centers on procuring an audit, and that is where we made great progress in 2017. We formed an Audit Committee composed of four members of the SAC with financial and regulatory experience. We developed and affirmed our charter and laid the groundwork for future skill-building to make us even more effective. As we have shared briefly in the past, PwC began working with the parent company of our Attorney-in-Fact (i.e., PURE’s management team) on tax matters in 2016, while we maintained our longstanding audit relationship with EisnerAmper. By all accounts, the PwC tax relationship has been a great success. For the parent company, they identified ways to improve all of the various state tax obligations, and, most important for PURE, they identified a tax treatment election that would allow PURE to participate in a combined tax filing with the holding company, resulting in a tax benefit of nearly $20,000,000 to PURE. In 2017, we had every expectation that we would extend the relationship with PwC from tax to audit. However, the Audit Committee of the SAC, along with management and the Board of Directors of the holding company, made the decision to extend our successful audit partnership with EisnerAmper for at least one more year and retain PwC as our tax partner. Throughout the selection process and ongoing review and oversight, our Audit Committee and the full SAC met frequently and demonstrated strong, independent judgment. I reflect on the many hours my SAC colleagues and I worked on these matters as some of the most positive contributions we’ve collectively made to PURE and the membership.
2017 was also a year in which we enjoyed many encounters with the PURE membership, none more satisfying than when we met in December for our quarterly meeting at the Ocean Reef Club in Key Largo, Florida, just two months after Hurricane Irma’s landfall. With the help of our Chairman Emeritus, Bill Wilson, we met with nearly 100 active PURE members and their family and friends for a very engaging evening. We heard stories of praise for the PURE Claims team, the outreach of the Member Advocates and the resiliency of our membership in the face of a historic storm. Mostly, though, we had the opportunity to make a personal connection with the very insightful, talented and accomplished men and women who make up the PURE membership.

Over the course of the year, we had detailed quarterly operational reviews with management. We met with hundreds of independent insurance brokers who represent PURE and other insurance companies. These professionals are a powerful network and consistently praise PURE for their commitment to an exceptional member experience. We also meet annually with the Board of Directors of the holding company as part of our commitment to ensuring all stakeholders’ interests remain aligned. I can report with confidence that the owners of the for-profit entities within the PURE Group of Insurance Companies are in sync with the members of our committee.

While insurance can be complicated, this alignment is straightforward: the fee-based Attorney-in-Fact attracts capital and capital flexibility that makes PURE stronger than it would be on its own. The capital efficiency of this reciprocal structure gives PURE a competitive advantage over stock-owned insurers. Most important, PURE’s members are at the center of the equation, where service comes first.

I look forward to the opportunity to meet many of you this year and beyond. I thank you for choosing PURE for your family’s insurance needs and hope that your satisfaction with PURE will make you an enthusiastic ambassador for this extraordinary company.

James H. McLaughlin
Chairman, Subscribers’ Advisory Committee
LETTER FROM
The Co-Chairs of PURE’s Women’s Leadership Council

To the PURE Membership,

Delivering an exceptional member experience begins by hiring the most talented people and then developing and inspiring them to do their best work. In order to do that, we must foster a safe and rewarding workplace that allows men and women to challenge the status quo and make our company a better place.

Two years ago, we launched the PURE Women’s Leadership Council with a simple goal: to ensure an equal composition of and contribution from women and men in senior management. When we started this initiative, about one in every five executives were female. Today, we are up to one in three.

ACROSS THE GLOBE, CAPABLE WOMEN ARE INCREASINGLY MOTIVATED TO ALIGN THEMSELVES WITH COMPANIES THAT DEMONSTRATE A REAL COMMITMENT TO EQUALITY.

This is not only the right thing to do; it is also the smart thing to do. Our employees are more engaged, and our decision-making is stronger. As an employer, we become a more attractive place to work, and as an insurer, we can deliver better service and smarter solutions. This is another example of how an alignment of interests powers our company.

To date, we have been recognized as a Best Place to Work and a Best Place to Work for Women by Fortune magazine. It’s a good start, but there is more work to be done.

The PURE Women’s Leadership Council is made up of 18 women from across the organization who meet regularly with the goal of making this a better company. Jodi Lash and Joey Cummings from the Subscribers’ Advisory Committee and several female broker partners have participated in meetings, as well. Here are a couple of the initiatives we have advanced in recent months:

ADVOCACY AND PROFESSIONAL DEVELOPMENT

At PURE, there is a culture of mentoring. Formal and informal mentoring relationships already exist throughout the company, and we’ll soon be adding a reverse-mentoring program to gain insights from the younger employees.

In late 2017, we also launched a sponsorship initiative with an emphasis on advocacy and professional development. A cross-functional group of executives are now acting as sponsors for a selection of high-potential and high-performing female employees. These pairings are designed to go beyond traditional mentoring; our sponsors offer insights and help these individuals develop the skills they need to progress in their careers, and they also advocate for their advancement.
PERSONAL GROWTH AND NETWORKING

In early 2018, we developed a networking platform to encourage all women from PURE to strengthen their skills and create productive relationships with women across the company and the industry. This initiative is in its early stages, but we are optimistic based on the positive responses we have already received. We will host events in PURE offices across the country to inspire our employees (and eventually a broader group of participants) to experience how PURE amplifies the professional and personal success and well-being of our colleagues.

Every business today—throughout every industry—is trying to improve its culture and effectiveness. One of the advantages of serving such successful people, like those we have in the PURE membership, is learning from their experiences and wisdom. Our ability to provide each of you with the care, competency and creativity you deserve and expect is further enhanced by your feedback. We welcome any insight you are willing to share.

In the meantime, we are committed to building a great company that aims to serve you even better in the future.

Vivian Gee | Co-Chair of the Women’s Leadership Council
SVP, Florida Regional Executive
vgee@pureinsurance.com

Lindsay Holden | Co-Chair of the Women’s Leadership Council
SVP, New England Regional Executive
lholden@pureinsurance.com
2017 Catastrophes

2017 was among the top ten most active catastrophe years on record. From August to December alone, the membership was faced with 15 catastrophic weather events. Two Category 4 hurricanes and one Category 1 made landfall in the continental U.S. Flooding in New England left over 1,000,000 homes and businesses without power. One of the most severe wildfire seasons in California’s history destroyed entire communities. And the Midwest faced hailstorms and tornadoes.

Our strict underwriting selection model ensures that we allow only the most responsible owners of the finest-built homes into the membership. This generally results in fewer claims overall and makes the company more resilient in the face of catastrophic events. In addition, our geographically diversified growth helps reduce the severity of any one catastrophic event. Despite the fact that catastrophes impacted three of our four largest markets, PURE’s Homeowners loss ratio (the ratio of claims paid relative to premiums collected) was lower than the industry average by a significant margin.

During a catastrophe and the subsequent recovery period, our membership looks to us. PURE is prepared for events like this—financially and operationally—so we can help our members get back on their feet.

| AUG 05 | Flooding, Hail & Tornadoes |
| KS, LA, MO, OK, TX |

| AUG 25 | Hurricane Harvey |
| AL, LA, MS, NC, TN, TX |

| SEPT 19 | Central Mexico Earthquake |
| MX |

| SEPT 06 | Hurricane Irma |
| AL, FL, GA, NC, PR, SC, USVI |

| OCT 07 | Hurricane Nate |
| AL, FL, GA, LA, MS, NC, SC, TN |

| SEPT 19 | Hurricane Maria |
| PR, USVI |

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<th>HOMEOWNERS LOSS RATIO</th>
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<tr>
<td>INDUSTRY AVERAGE</td>
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<tr>
<td>AVERAGE AMONG HIGH NET WORTH CARRIERS¹</td>
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<td>PURE</td>
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¹ Includes high net worth writing companies of AIG and Chubb Ltd. 
Table contains 2017 Industry Loss Ratios as reported by S&P Global Market Intelligence, a division of S&P Global.
Serving Our Membership

The quick succession in which the major events occurred could have placed pressure on PURE’s team and our ability to deploy resources quickly. Adding to the gravity of the situation were Hurricane Maria, which devastated Puerto Rico and parts of the Caribbean, and a significant earthquake in Central Mexico. Restoration services, temporary housing, building materials and other immediate needs throughout North America were scarce and in high demand. However, PURE’s catastrophe response team had proactively established detailed plans and built a network of emergency-response and restoration partners dedicated exclusively to our membership.

Even as claim volume spiked, most incoming calls were still taken by licensed Claims Adjusters—not call center representatives—so that members only needed to tell their story once, and the claims process could begin immediately. During Hurricanes Harvey and Irma, many employees with claims-response backgrounds pivoted from their typical roles to assist PURE Member Advocates and adjusters with incoming claims.

Member Advocates also helped members find alternative accommodations, protect fine art collections with guidance from The Haven Art Group, connect with our response resources on the ground and manage other aspects of the recovery process.

And for members who were not directly impacted by catastrophes, life went on as usual: auto accidents still happened, and precious stones were still lost from heirloom rings. Throughout these events, Member Advocates assisted members whether their claims were catastrophe related or not.

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<th>CLAIM VOLUME</th>
<th>OUTREACH</th>
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<td>254</td>
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<td>Average number of claims received on a typical weekday in 2017</td>
<td>PURE Member Advocates made hundreds of outbound calls, offering members assistance as a storm or wildfire approached</td>
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<tr>
<td>75</td>
<td></td>
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<tr>
<td>Peak number of claims received during Hurricanes Harvey and Irma</td>
<td>All members in affected areas received PURE Situation Room™ alerts that provided forecast information, last-minute advice and claims-reporting information</td>
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<tr>
<td>Of all incoming claim notifications were answered by PURE personnel</td>
<td>6 seconds</td>
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<tr>
<td>Average time it took to answer these calls</td>
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96%

OCT 08
Atlas Fire
Tubbs Fire
Mendocino Lake Fire
Other NorCal Fires
CA

OCT 14
Flooding, Hail & Wind
IL, KS, MO

OCT 23
Flooding, Hail & Tornadoes
NC, SC

OCT 29
Flooding & Wind
CT, MA, ME, NH, NJ, NY, RI, VT

NOV 05
Flooding, Hail & Tornadoes
MO, OH

DEC 04
Thomas Fire
Other SoCal Fires
CA

DEC 07
Lilac Fire
CA

DEC 05
Creek Fire
CA
CATASTROPHES

Hurricane

While last year’s hurricane season as a whole was notable, three unique storms stand above the rest: Harvey for its rapid intensification and record-setting rainfall, Irma for its sheer size and ferocity and Maria for the devastation it caused in Puerto Rico. As many of the season’s storms threatened the continental U.S., PURE’s catastrophe response team directed internal and external resources to help our members protect their homes and families.

HURRICANE RESPONSE EFFORTS

Data and technology allowed us to identify members who were most likely to experience significant damage. Before Irma made landfall, and again a few weeks later as Hurricane Nate approached, PURE Member Advocates® introduced themselves to these members as their pre-assigned, dedicated contacts. If a member needed to report a claim or required assistance following the storm, they could simply reply to their Member Advocate’s email to start the process.

Our teams on the ground pivoted quickly in response to the storms’ changing paths. PURE team members traveled from all over the country to help direct response efforts and assess damage, and as the forecast changed, we shifted the number and placement of adjusters on the ground.

The team was determined to reach members’ homes even when roads were impassable. After southern areas of the Florida Keys had been inaccessible for days, one of PURE’s Claims Adjusters (a former Infantry Officer in the U.S. Army and current Lieutenant Colonel in the Army Reserves) rappelled into the neighborhood from a helicopter. The Haven Art Group also sourced boats from local residents to help evacuate fine art and other high-value possessions during Hurricane Harvey.

We provided critical resources that our members needed. For example, fuel was in short supply following Hurricane Irma, and many of our members needed it to keep their generators running. One member’s daughter was recovering from heart surgery, and her medication required refrigeration. When we heard about this situation and others like it, we arranged for propane to be delivered to Florida and distributed to members.

Visit pureins.co/haven-hurricane to read more about Haven’s response efforts in the New York Times article, “Protecting Andy Warhol from Flood, Fire and Quake.”

5X

HOMES BUILT BEFORE 2002 SUFFERED AN AVERAGE OF 5X MORE DAMAGE THAN NEWER HOMES DID.
Agreed Value coverage.

As many as 1,000,000 vehicles along the Texas Gulf Coast were flooded during Hurricane Harvey. Of those insured by PURE, 90 percent were deemed total losses. The efficiency created by PURE’s Agreed Value coverage allowed our Claims team to settle these losses quickly so members could get back on the road as soon as possible.

PURE’S AUTOMOBILE POLICY PROVIDES AGREED VALUE COVERAGE FOR TOTALED CARS, WHICH MEANS WE PAY A STRAIGHTFORWARD, PREVIOUSLY AGREED-UPON AMOUNT WITHOUT APPLYING A DEDUCTIBLE.

Salvage value.

In the aftermath of Hurricane Harvey, insurers were liberal in declaring most “wet” vehicles to be total losses. Once an insurer pays a total loss on a car, they typically attempt to sell its remains in a process called salvage. Because so many usable auto parts entered the salvage market at one time, it’s reasonable to assume that the excess supply could have significantly reduced prices paid. However, many of the parts remained in pristine condition, so we have instead seen greater returns on our salvage from this event than we typically see when selling a vehicle damaged in a crash. We are recovering about 29 cents on every dollar we paid to our members.

Newer homes.

A core assumption of PURE’s underwriting selection model is that newer, well-built homes are safer and more resilient. Hurricane Irma reaffirmed this assumption. After analyzing the damages to members’ homes near the storm’s landfall, we found that the cost of damage to homes built before 2002 was an average of five times more than the cost of damage to newer homes.

Partnership with the NFIP.

PURE partners with the National Flood Insurance Program (NFIP) as a Write Your Own (WYO) carrier, allowing us to offer primary flood coverage that is financially backed by FEMA and serviced by PURE. You can then add one of PURE’s broadening or excess flood endorsements, allowing you to customize your coverage and increase your limits—up to the full value of your home.

If you have a PURE Homeowners policy and primary flood coverage administered by PURE, we are able to provide a single adjuster to assist you with a claim, even if your home sustained both flood and wind damage. This provides you with a single point of contact, accelerates the claims process and enables faster payment. In fact, FEMA recognized PURE as the fastest insurance carrier to make advance payments following Hurricane Harvey.
Throughout the year, more than 9,000 fires burned across more than 1,200,000 acres in California, making it one of the most severe seasons in the state’s history.

Our catastrophe response team’s wildfire mitigation strategy was developed specifically for times like these. Pre-established plans and relationships allowed our Claims Adjusters and PURE Member Advocates® to come together with our wildfire response crews in service of the membership. This enabled on-the-ground emergency support and real-time updates, which proved critical during this year’s devastating season.

### DEFENSIBLE SPACE

#### ZONE 1
0–5’ from home

- **Maintain** plants and clear debris away from the base of exterior walls, fences and around or underneath decks
- **Remove** debris from roof valleys and gutters
- **Select** fire-safe landscaping materials like noncombustible mulches, rock or gravel, and low-growing plants with a high moisture content

#### ZONE 2
5–30’ from home

- **Ensure** a canopy of mature trees is farther than 30 feet from your home
- **Maintain** 30 feet of separation between mature trees
- **Remove** combustible structures and objects like trellises, fences, fuel and gas tanks and wood piles

#### ZONE 3
30–100’+ from home

- **Thin and separate** trees to prevent fire from traveling from one tree to the next
- **Regularly prune** trees to prevent fire from climbing up them
- **Remove** dead plant materials and tree branches
**THE 2017 REPORT TO MEMBERS**

**LAKE MENDOCINO FIRE**
**TUBBS FIRE**
**ATLAS FIRE**
**CREEK FIRE**
**THOMAS FIRE**
**CREEK FIRE**
**LILAC FIRE**

Major California wildfires in late 2017.

Prevent embers from entering your home.

- Cover openings like chimneys and stovepipes with metal mesh to stop flying embers. Avoid fiberglass or plastic mesh, because these can melt or burn. For vents in eaves, however, metal mesh does not provide sufficient protection; use baffles in these areas instead. We also recommend that you place weather stripping around and under your garage door.

**CONSIDER INSTALLING A FIRE PROTECTION SYSTEM.**

- A permanent exterior fire protection system can help to guard against wildfire at all times. Options include water-based, foam-based and gel-based systems. Some systems have pre-treatment capabilities in addition to a sensor-based emergency response, and many can alert you when the system is activated.

**MAINTAIN DEFENSIBLE SPACE.**

A critical step in wildfire mitigation is to create and maintain defensible space around your home’s perimeter. This tactic can slow or stop the spread of wildfire and help to prevent spot fires caused by flying embers. It does not mean you have to forgo a beautifully landscaped yard; defensible space involves strategically clearing and placing vegetation in order to produce a buffer between your home or other structures on your property and the grass, trees, shrubs or any wildland area that surrounds them.

For additional advice on protecting your home from wildfire and other significant loss events, download our Guide to Building a More Resilient Home at pureins.co/build.

**PURE’S WILDFIRE MITIGATION EFFORTS**

Our team monitors wildfire activity throughout the country, deploying resources as needed. Ultimately, fire conditions this past season led us to send response trucks and crews to fires in Oregon, Montana, Utah, Washington and California.

Once deployed, response crews on the ground inspect members’ properties, move combustible materials away from structures and, when necessary, treat the property with fire retardant. Very little information is typically available to residents during fires, so we provide members with updates as they are available. This includes information on the fire’s distance from, and threat level to, the home. We also help them understand the steps our teams may take next in response to the fire’s anticipated movement.

Member Advocates call members in the fires’ anticipated paths to inquire about their well-being and the state of their properties. This allows us to direct our response resources more effectively.

**CALIFORNIA UNDERWRITING RESULTS**

PURE’s underwriting criteria in wildfire-prone areas of California is conservative. We are careful to manage the total insured value of our exposures, and we work hard to build a geographically diverse book of business to reduce our risk during any single event—wildfire or other.
PURE Member Nina Mehta at the site where her home was destroyed during the Tubbs Fire in October 2017.
Eight years ago, ready to begin a new chapter in her life, Nina Mehta settled into her new home in Santa Rosa, California. She loved the home for its 360-degree views. It was also located near her office, NeilMed Pharmaceuticals, of which she is President and Co-Owner. Her home, like those of many of our members, was an extension of her identity, filled with sentimental objects from different phases in her life.

The Tubbs Fire started around 10 PM on October 8, just a few miles away from Nina’s home. Like so many area residents, Nina went to bed that night unaware of the impending threat; hours later, she was awoken by the sound of her dog barking, the smell of smoke and a police officer at her door instructing her to evacuate immediately. With only the clothes on her back, she took her dog and fled. The next morning, she learned that virtually every home in her neighborhood and the surrounding area, including hers, had been burned to the ground. Photographs, her jewelry collection and many other items of high sentimental value were completely destroyed.

Nina did have a safe in which she kept many valuable pieces of jewelry. The safe was recovered, but the jewelry she wore every day, including a particularly cherished and high-value ring, had been left out on her dresser that evening. Nina was certain the pieces were gone.

PURE Claims Adjuster Andy Brotherton met Nina at her property to survey the damage. “Following devastating events like this, I always try to get a sense of whether there are items that seem to hold more meaning for the member. For Nina, it was her jewelry,” said Andy.

As Nina took in the sight of her home, Andy began sifting through the rubble. After nearly an hour, he found a bracelet. It was not one of the more sentimental pieces, but the discovery did help to direct his search. He called in a crew to help sift through the ashes in search of more. The team found some of Nina’s jewelry, including the cherished ring and some earrings, along with two Ganesh statues, which were sent to be restored to their original condition.

“I was, and continue to be, overwhelmed by the loss—the loss of my home and everything I had to leave behind. Rather than question me or give me a list of next steps, Andy let me come to terms with it all while he went off to dig through the damage. To do that for me, giving me that time and helping me find my belongings, was such a compassionate, personal touch,” said Nina.

With her home completely destroyed, Nina was faced with the decision of whether or not to rebuild. PURE’s Homeowners policy provides members in situations like this with options and flexibility. Realizing that this was a decision Nina was not immediately prepared to make, PURE issued payment so that when she was ready to decide, she had the financial flexibility to do so.

PURE’s cash settlement option.

If your home were destroyed, would you rebuild it? Of the PURE members who have been faced with that very question, the majority have elected to take advantage of PURE’s cash settlement option that gives them the flexibility to rebuild on the same site, rebuild elsewhere or not rebuild at all.

Visit pureins.co/andy to read more about Andy’s efforts in the Insurance Business America article, “Heroic Adjuster Digs Through Wildfire-Devastated Home to Recover Precious Jewelry.”
Richard and Barbara Garrett purchased their Coral Gables home nearly 20 years ago. Throughout the years, they completed a series of renovation projects, which turned the 14,000-square-foot space into a reflection of the couple’s shared passions and history together. With each renovation, they added custom fixtures and hand-finished woodworking and filled the home with stunning collections of artwork and photographs. Today, Richard and Barbara may split time between their North Carolina and Florida houses, but the work they did to personalize their Florida home is something in which they take great pride.

“PURE recognizes that people have preferences for how they want their home to look and feel,” said Richard. “Bill didn’t push me to one vendor. He asked me who I wanted to use and then he handled the rest.”

To repair the floor, the contractor carefully removed each warped board, replaced it with an entirely new piece to restore the flooring back to its original condition and sanded by hand the areas along the baseboards.

“I was careful in selecting my insurance company, and my experience confirmed that choice,” said Richard. “PURE just treats us the right way every time.”

The Garretts were at their North Carolina home when they received a phone call from their housekeeper in Florida. She had just discovered water leaking from the ceiling of one of their first-floor bathrooms.

The water was coming from the HVAC unit on the second floor. To Richard, the damage looked minor, but expert inspection revealed a much different picture. The drywalls and ceiling beneath the unit, as well as the custom wood flooring that covered the first floor of this expansive home, were all damaged. Repairs would take six months.

The Garretts wanted to preserve as much of the home’s original design as possible, so they selected a contractor who gave the same attentiveness to the renovation as the Garretts gave in the initial process. PURE Claims Adjuster Bill Becker managed the process on their behalf.

“WATER DAMAGE CLAIMS ARE 4X MORE SEVERE AMONG THE PURE MEMBERSHIP WHEN THEY OCCUR IN A HOME THAT IS UNOCCUPIED. WHEN NO ONE IS THERE TO NOTICE IT, WATER CAN RUN UNDETECTED FOR DAYS—OR EVEN LONGER.”
From the beginning, Buffy Tate and her husband, Jonathan Hunt, have shared a passion for traveling. They met for the first time while Buffy was on an overseas work assignment in the Netherlands; both she and Jonathan are I.T. professionals for a multinational corporation. Their travels for work and family visits take them all over the world, but together with their dog, Pepper, they have made Houston, Texas, home.

For Buffy and Jonathan, the extent of the damage to their home was more immediately apparent than it was for the Garretts. The couple returned from a trip to the U.K. to find their ceiling partially collapsed, along with warping and staining to the ceilings, walls and custom wood floors throughout the first level of the home.

The source of the leak, once again, was the HVAC unit installed in the attic. Buffy quickly notified PURE, and within hours, a remediation specialist was on the scene to begin drying out the home.

Along with other necessary repairs, the entirety of their wood floors needed to be sanded and stained and the ceilings repaired and repainted. The original builder was brought in to ensure that the integrity of the space would be preserved. In total, repairs would take three months.

Buffy and Jonathan wanted to remain close to home during the renovation process, so they were pleased when PURE Member Advocate® Brenden Beiriger located a temporary home—complete with a large backyard for their dog—just two blocks away. “It is nice to have peace of mind knowing if something goes wrong, we can rely on PURE,” said Buffy.

More than 20 percent of the water damage claims reported by PURE members in 2017 resulted from appliance failures.
Protect against water damage.

**Leak Detectors.** A whole-house leak detection system is designed to automatically shut off the main water supply if it detects abnormalities in the volume of water flowing through your home’s plumbing. This is invaluable in protecting against significant loss from burst pipes, toilet overflows and other plumbing-related failures. For leaks that result from independent appliances, as in the case of the Garretts and the Hunts, a location-based smart leak alarm can help. These are small devices that are placed on the floor next to major plumbing fixtures and appliances, like HVAC units, washing machines and water heaters. This small and inexpensive device will send an alert to your smartphone if it detects a leak.

**Condensate Pumps and Float Switches.** An HVAC system produces condensation as it works. This excess condensate is usually drained safely away, but naturally occurring debris like dust and rust can sometimes cause the drain to become slow or clogged. A condensate pump will actively pump the excess water away from the unit instead of passively relying on gravity to drain it away. Whether your HVAC unit can be equipped with a condensate pump or not, we also recommend installing a float switch; this inexpensive device is designed to detect when the unit is leaking and prevent damage by shutting it off. Float switches can be installed on either a drip pan or the unit’s drain pipe.

**Caretakers.** If you are away from home, enlist the help of a trusted caretaker to check on your home regularly. Make sure they understand where the home’s main water supply is located and how to shut it off in the event of a leak. We recommend they check on your home at least once a day during mild weather and more frequently during cold snaps.

**Emergency plans.** When water is flowing, every minute is crucial. Create a list of preferred vendors and emergency processes. Share your plans with your caretaker, and make sure they are empowered to take action in your absence.

**Enlist the help of a PURE Member Advocate.** A Member Advocate can assist you with any of the loss prevention considerations above. This includes connecting you with specialized services, like discounts or rebates on certain technology and complimentary background checks for caretakers or other domestic staff. They can also help you create a list of preferred vendors in your area as you develop your emergency plan. Call us at 888.813.7873 or email memberadvocate@pureinsurance.com.
Bob and Cindy Manzo built their dream home on the grounds of the Ocean Reef Club in Key Largo seven years ago. Bob serves as the Vice Chairman of the Ocean Reef Club, and Cindy, who is passionate about philanthropy and the arts, serves as a board member of the Ocean Reef Club Community Foundation and the Ocean Reef Club Cultural Center.

The Manzos’ custom-built Florida house was everything they always wanted in a home. The space was designed to suit the exact needs of the family; it provided both an elegant space to entertain and a comfortable setting the family could enjoy. It was decorated with a combination of timeless furnishings and family keepsakes, including a collection of photos dating back more than 80 years and several oil paintings of their daughter when she was younger.

Last April, as the Manzos were preparing to leave for an extended vacation, a golf cart parked in their garage burst into flames, causing extensive smoke and soot damage throughout the entire house.

They were ready to change their travel plans when PURE Claims Adjuster Bill Becker told Bob it wasn’t necessary. “Bill said he and PURE would take care of everything, so my wife and I left as planned. Repairs took six months, and during that time, if Cindy and I had to dedicate more than a combined 10 hours of our attention to the process, it would be an overstatement,” said Bob.

The damage was more significant than the Manzos had originally thought. Because the fire involved burned rubber and plastic, hazardous smoke and particles were released, which permeated the air and settled into furniture, clothing and other fabrics. PURE mobilized a team of fire restoration specialists to clean the air and every surface within the home, including the clothing in their closets. The original interior designer was brought in to replace the living room couches and other pieces that had been too damaged to restore.

“Bill personally ensured everything was meticulously restored, which was important to us,” adds Bob. “The crew went so far as to carefully clean by hand the soot from the oil painting of my daughter; it was like the fire never happened.”
Large loss deductible waiver.

Through a deductible, PURE members agree to take on the cost of minor damages that happen from time to time. But in the event of a significant loss, PURE will waive the deductible on your Homeowners policy if it is $25,000 or less.¹

Recouping losses through subrogation.

Often, the completion of payment on a claim doesn’t indicate the end of the work. When a third party is responsible—even partially—for the damages in a claim, PURE uses the legal process of subrogation to recover the money paid out. This ensures that the at-fault party bears the financial responsibility for the claim, not the PURE membership. Since it was determined that the fire was the result of faulty electrical wiring in the Manzos’ golf cart, PURE’s subrogation specialists sought reimbursement from the golf cart manufacturer for the cost of the extensive damage.

Subrogation helps to improve the company’s overall operating results, reduces the cost of insurance premiums and allows us to reimburse some or all of a member’s deductible. In 2017, PURE recovered more than $17,000,000 from the at-fault parties through subrogation efforts.

¹ For a covered loss caused by a peril other than a hurricane or earthquake that is greater than $50,000, we will waive the base Homeowners deductible. This waiver of deductible only applies if the base deductible shown on your Declarations page is $25,000 or less. This waiver of deductible does not apply to special deductibles such as hurricane, hail, earthquake or construction, for example. May not be available in all states.
Richard and Pamela Huber have been married 45 years and built a life together in Des Peres, Missouri. It’s where they’ve raised their four daughters, and Richard’s business, Industrial Battery Products, Inc., is headquartered nearby. Richard grew up rooting for the St. Louis Cardinals alongside his father. Today, he is happy to share his love for the game with Pamela.

The police were able to recover Richard’s beloved bat. “Of all of the items that were stolen, I’m very grateful the bat was found,” said Richard. “To me, it was much more than a piece of memorabilia; it represented fond memories of my father and is truly irreplaceable.”

They also located the Volvo, but it had been torched and totaled. The Volvo was equipped with a push-to-start ignition system, which requires a smart key fob for the vehicle to be driven. However, both key fobs remained in the home after the theft. Police believe the burglary was the work of a car theft ring responsible for several similar incidents in the area. The thieves were using a hacking technique known as a relay attack to intercept and manipulate the communication between the key fob and the vehicle, making it possible to drive the vehicle without the key fob. At least one of the men involved has since been arrested.

While the Hubers have a home-security system with motion-sensor cameras, it was not on at the time of the break-in. With an activated, centrally connected home security system, police response time can be cut down to just minutes from the initial warning. This can reduce the time burglars are in your home or scare them off altogether. The Hubers now keep their home security system armed at all times, whether they are home or not.

“Ultimately, I was just thankful my family was safe,” Richard said, “but I felt incredibly violated, and my wife was terrified at the thought of intruders in our home.”

Richard returned home immediately and called PURE to report the incident. He spoke with PURE Member Advocate® Lauren Calabrese, who assisted on his claims. "Lauren took on many of the administrative tasks that arose from the situation. She worked directly with the police, helped to source and submit required paperwork and kept me informed through the entire process so I could focus on my family and life in general,” said Richard.
Protect against home theft.

Central Burglar Alarm. To best protect your home, set up both internal and perimeter burglar alarm systems, especially if the edge of your property is far from your home. The systems should be monitored by an alarm company who can notify the police department if it is activated and include a back-up cell or radio signal. This allows each system to communicate with your alarm company if phone lines become interrupted—whether accidentally or through intentional tampering.

Remote Monitoring. Today’s technology allows you to activate alarms, lock doors and control security systems—all from your smartphone or tablet.

Cameras and Lighting. Indoor and outdoor cameras and motion-sensor lighting can deter burglars from targeting your home. Cameras can also aid the police in an investigation, if necessary.

Protect against car theft.

Typically, a smart key fob must be within three feet of the lock for it to operate. Criminals have developed devices to extend this distance up to 1,000 feet—and they cost less than $30. They also have access to software that processes thousands of code combinations to find the one that unlocks the door or starts the engine. Manufacturers are working to address these vulnerabilities, but a clear fix does not yet exist.

To help protect your vehicles that rely on smart key technology, we suggest keeping your key fobs—when you are not using them—in a faraday bag. These inexpensive bags are lined with a material developed to block incoming and outgoing signal transmissions.
Darcel McDonald has lived all over the world, but today she resides on a 25-acre estate in Wausau, Wisconsin. She brings years of business experience to her family’s century-old lumber company and is passionately involved with several philanthropic organizations, including the Humane Society and Ronald McDonald House. Her home is filled with things of great sentimental value—artwork, mementos from her travels, rare books—and is surrounded by an expansive pasture for her three rescue horses.

Late one night last April, a tornado hit Darcel’s property. Her well-built, well-protected home was undamaged in the storm; however, several dozen very large trees throughout the property toppled. Some fell onto and destroyed sections of the fencing that surrounded the horses’ pasture.

These damages were far from Darcel’s concern; it was the welfare and whereabouts of her horses that had left her shaken. The horses had fled during the storm, and it was several hours before they were found. Miraculously, they were mostly unharmed, though one suffered a concussion.

Empathy plays a critical part in understanding and interpreting the emotions of others after a traumatic event. At PURE, we screen prospective employees for emotional intelligence and invest in training to further develop this skill. With greater empathy, we look for opportunities to deliver a level of service that goes beyond what is expected.

When Darcel called PURE to report the downed trees and broken fencing, PURE Member Advocate Hannah Hague took the claim. She issued payment for the repairs right away so the horses could safely return to their pasture. However, sensing Darcel’s concern, Hannah wanted to do more to help. She researched and found muffins for horses intended to calm anxiety, and she sent them to the farm.

“My situation pales in comparison to losing a home, like so many have in the recent wildfires and floods. Hannah treated me as though I had lost everything but wasn’t alone,” said Darcel. “PURE is focused on the value of the person—who they are, what means the most to them and how to help them keep it, protect it and enjoy it. PURE has this mindset, and it’s reflected in everything they do.”

Protect against severe storms.

Severe thunderstorms can produce a mix of lightning, tornadoes and hail—all with the potential to cause significant property damage. These storms commonly topple large trees, turn downed limbs and debris into dangerous projectiles and result in extensive roof and automobile damage. The following considerations may help you protect your home:

Caring for Trees. Your property’s trees should be located a safe distance from your home, cars and other structures. Healthy trees are stronger, so conduct routine pruning and maintenance. A Member Advocate can help you schedule an annual inspection with a certified arborist to help keep your trees healthy and identify warning signs if one is weakened by age or disease.

Protecting Your Roof. As they age, roof coverings become less resistant against the impact of wind-borne debris and hail. Have your roof inspected annually, and be sure to have any damage or wear and tear addressed quickly. In addition, roof clips and hurricane straps can help make your roof covering more resistant to uplift, racking, overturning and sliding.

Maintaining Electricity. In the event power lines are damaged, a whole-house generator will help to mitigate costly losses that could arise if your home’s critical systems and equipment were to stop functioning. A whole-house surge protector can also protect your home’s electrical systems and appliances from lightning damage. However, a lightning suppression system—which grounds the dangerous electricity—will serve as your home’s highest level of defense against lightning.
For additional advice on making your home more resilient to high-velocity winds and other significant weather events, download our Guide to Building a More Resilient Home at pureins.co/build.
INNOVATION

Fraud and Cybercrime

We’re dedicated to understanding the unique risks faced by our membership and providing solutions that allow you and your family to live confidently knowing your assets are properly protected.

NEW COVERAGE FOR FRAUD AND CYBERCRIME

Imagine this: You’re set to close on the purchase of a new home when you learn the seller’s attorney did not receive the nearly $1,000,000 wire transfer you sent the day before. It turns out the email you received from the law firm’s server was actually sent by a cybercriminal and contained fraudulent wire instructions, which you followed, wiring the funds to an account in Hong Kong that has since been closed. This is a real scenario experienced by a PURE member, and unfortunately, it’s not the only instance in which a member was impacted by fraud.

As fraud and cybercrime continue to grow, PURE members are an ideal target due to the potential profit to be made with your personal information and the opportunities for exposure arising from your busy lifestyle.

While PURE provides resources to help you better understand cyberthreats and reduce risk—like our Cyber Knowledge Center, our cyber advice line and access to identity protection services offered by AllClear ID—as well as coverage for identity theft under our Homeowners policy, we recognize that there are significant new fraud and cyber-risks for which no coverage was previously available.

To help better protect your family and your wealth, we introduced PURE Starling™ Fraud and Cyber Fraud Coverage.

PURE Starling is an optional endorsement you can add to your Homeowners policy. With limits up to $1,000,000 available, it offers protection against financial losses due to fraud, whether it is committed online or offline, such as:

Social engineering. If your authorized account user, like a personal assistant or family office manager, is deceived into wiring money from your account.

Unauthorized wire transfer or payment. If a credit card transaction, bank payment or wire transfer is made without your authorization.

Forgery. If someone is fraudulently forging checks from your account.

In addition to reimbursement for financial loss, we provide resources and advice from subject-matter experts to help you respond to the following events:

Cyber extortion. If a cybercriminal demands money to prevent the damage or distribution of your information or to restore access to your device.

Systems attack. If you are the target of a cyberattack that damages your software or infects your device.

In order to obtain a limit of $1,000,000, we require an active cyber-monitoring solution to be in place.

With this new coverage, we hope to provide you with a renewed peace of mind, even as fraud and cyber-risks continue to evolve.

SINCE ITS INTRODUCTION LAST OCTOBER, 43 PERCENT OF ALL NEW PURE MEMBERS WHO JOINED IN AN ELIGIBLE STATE HAVE ADDED THIS COVERAGE TO THEIR POLICY.
Protect against cyberthreats.

From the Equifax breach to email phishing scams, cybercrime continued to make headlines in 2017. To learn how you can safeguard your personal information, download our whitepaper, *Cybersecurity and Advanced Techniques to Safeguard Your Data*, at puresituationroom.com/cyber.
While the events that spark a Personal Excess Liability lawsuit happen infrequently, the jury verdicts associated with these incidents—which can range from tragic automobile accidents to seemingly ordinary mishaps—can, in extreme cases, be financially devastating. Outside of the PURE membership, there have been verdicts and settlements ranging from $11,000,000 for injuries suffered by a contractor while working in the defendant’s home, $24,000,000 for injuries resulting from a slip and fall on the defendant’s property, and $46,000,000 for an at-fault auto accident that resulted in a fatality.

PRICING FOR HIGH LIMITS OF PERSONAL EXCESS LIABILITY COVERAGE

With so much at stake, it’s important to maintain adequate limits of Personal Excess Liability coverage in order to protect your financial future. Yet until recently, the insurance industry (PURE included) followed an illogical pricing structure that discouraged those needing limits greater than $10,000,000 from purchasing the appropriate amount, and those who did purchase higher limits were paying very high rates.

Under the old pricing structure, the cost of coverage increased dramatically for limits greater than $10,000,000. For example, it might cost $1,500 for the first $10,000,000 of coverage and cost four or five times that amount for the next $10,000,000 of coverage. This doesn’t make sense when you consider that the lower limits of coverage are far more likely to be paid in a claim than the higher limits.

Illustration represents pricing effect based on one member’s unique risk profile. Pricing may vary by policy.
To help prospective members in the buying process, we offer an online pricing tool that provides a transparent look at the price for various limits of coverage based on their unique risk profile.

PRICING THAT NO LONGER DISCOURAGES HIGHER LIMITS

We set out to fix this for our membership. In 2017, we introduced a new pricing structure for Personal Excess Liability coverage that is based on the unique risk factors of the individuals covered by the policy and more accurately reflects the likelihood of the limit being paid out in a claim. As a result, members who purchase limits above $10,000,000 will experience an average savings of 43 percent on their premium at renewal. With this new pricing, which will be live in almost all states by the end of 2018, we hope that more families needing higher limits of coverage will purchase the appropriate amounts.

Since implementing our new pricing, 30 percent of existing members who previously purchased limits above $10,000,000 have increased their limit. In addition, the number of new members selecting a limit above $10,000,000 has increased by 45 percent.

LIMITS OF MEMBERS WITH PERSONAL EXCESS LIABILITY COVERAGE

More than 85 percent of PURE members have Personal Excess Liability policies with PURE. Here is a look at the limits they have selected:

- 14,311 members ≥$10M Limit
- 10,208 members <$5M Limit
- 36,835 members $5M–9M Limit

- 30% Existing members who had previously purchased more than $10M in coverage increased their limit since the new pricing was implemented
- +45% Increase in new members selecting a limit above $10M
- 43% Average savings of members who purchase limits above $10M
**Member Experience**

*Love your insurance®* isn’t just a slogan; it’s the promise we make to you to deliver an exceptional member experience. It’s why we continue to analyze every step in our processes, every element of our services and every one of our policies as we look for ways we can reduce friction and foster a more positive relationship with you. Here are some of the improvements introduced in 2017:

**SERVICES FOR MEMBERS WHO COLLECT FINE ART, JEWELRY AND ANTIQUES**

The PURE Group of Insurance Companies acquired The Haven Art Group, a team of art professionals dedicated to helping you manage your collections to museum-quality standards. At any time throughout your membership, they can assist you by providing risk management recommendations and services to ensure your collection is well protected—like obtaining updated appraisals, creating a detailed inventory, coordinating a loan to an exhibition or developing an emergency evacuation plan. Learn how The Haven Art Group served the membership during Hurricanes Harvey and Irma on page 12.

**UTILIZING DATA TO IDENTIFY MEMBERS IMPACTED BY SEVERE WEATHER**

Every year, weather events such as hurricanes, extreme cold and hail result in significant losses. We’ve partnered with a technology company that analyzes weather patterns and assesses how forecasted threats and past events could affect our membership. They provide us with insights that allow us to better and more quickly serve impacted members. For instance, as a hurricane develops, we can identify which members are most likely to be impacted, allowing us to focus our outreach and claims-response efforts most effectively. Similarly, following a significant hailstorm, we are able to identify the homes that have most likely suffered damage, so we can proactively reach out to begin the claims process.
EXPANDED PURE PROGRAMS®

PURE Programs is an excess and surplus (E&S) lines solution specifically designed for high net worth families who own high-risk homes, such as those with coastal exposure and short-term rentals, that are unable to access coverage through the admitted insurance market. PURE Programs offers broader coverage than is typically available, as well as many of the same service benefits afforded to PURE members. With our 2017 expansion, this offering is now available in Florida, North Carolina, South Carolina, New Jersey, New York and Massachusetts and will soon be available in additional states.

IMPROVED ACCOUNT ADMINISTRATION

We are constantly looking for ways to make it easier for you to take care of routine account administration, like paying bills and signing and sending documents. Some recent improvements include:

**Additional auto-pay options.** These options give you the flexibility to pay the minimum amount due or your total balance using a variety of payment methods.

**Live chat.** You can now chat directly with a PURE Member Services representative to address questions about billing, policies or other account-related matters from the PURE Member Portal.

**E-signature.** With e-signature, you can securely sign your documents electronically on any device. Once you sign, electronic copies are automatically sent to you, your broker and PURE.

**Electronic fund transfer.** At the time of a claim, we can now electronically transfer funds directly into your bank account, resulting in an easier and faster payment process.

**AUTO CLAIMS MADE EASIER**

We continue to invest in simplifying the auto claims process. In 2015, we introduced PURE Express, a mobile app that allows you to submit pictures of most automobile damage and receive repair estimates in as little as a few hours. More recently, we introduced a tool that has streamlined the process of scheduling automobile appraisals and repairs.

AWARDS & RECOGNITION

We were given extraordinary opportunities to fulfill our purpose in 2017 and are pleased to have been recognized for excellence in a number of categories. It is an honor to be named Best High Net Worth Insurance Company by the Private Asset Management Awards and Best Insurance Underwriter by the Family Wealth Report Awards for the third consecutive year. The wealth management community has placed a greater emphasis on increased transparency, reducing conflicts and aligning interests with their clients—things we emphasize here at PURE as we determine how best to serve our membership. These awards speak to the achievements of our entire staff and the important work we do every day for the nearly 75,000 successful families we serve.
MEMBER Engagement

Being a member-owned insurer means more to us than just having a unique business structure. At PURE, our membership is our top priority, and your experiences and feedback drive our innovation. We value the opportunity to meet with and get to know as many members as possible. In 2017, our team spent time with nearly 1,800 members at more than 100 events, a few of which we’ve highlighted to the right.
A MEMBER’S HOMECOMING AFTER A FIRE

PURE Members Tom Stringer and Scott Waller live in a meticulously designed brownstone in Chicago that they had renovated from the ground up. Tragically, a fire just before Christmas in 2016 nearly destroyed the home. PURE helped rebuild the couple’s dream home to its original, pristine condition. When work was complete, to show their appreciation, Tom and Scott hosted an open house and invited everyone involved in the reconstruction project.

PURE’S 7TH ANNIVERSARY IN LOUISIANA

We gathered PURE members for a private event at The National WWII Museum in New Orleans in celebration of our 7th anniversary in Louisiana. During the evening, guests had a private viewing of Beyond All Boundaries, a 4-D cinematic journey through WWII, narrated and produced by Tom Hanks. The Victory Belles performed, and guests took part in a discussion led by WWII Museum President and CEO Emeritus Dr. Nick Mueller.

THE NANTUCKET PROJECT

We are a proud sponsor of The Nantucket Project, an organization that brings together some of the brightest thinkers and creators to deliver bold, thought-provoking and innovative content. Last September, several PURE executives were joined by more than 20 local PURE members at the main event on Nantucket Island. We were pleased to share this special event with more of our members through a series of satellite events held in Boston, Greenwich, Palm Beach, San Francisco and Los Angeles.

OCEAN REEF CLUB MEMBERS

PURE’s Subscribers’ Advisory Committee (SAC) held its last quarterly meeting of 2017 at the picturesque Ocean Reef Club in Key Largo, Florida. Following the meeting, the SAC, along with several PURE executives, hosted PURE members for dinner and discussed our response to Hurricane Irma.
INSIDE

PURE

PURE’s ability to deliver an exceptional member experience starts with our people. Our structure, which combines a member-owned insurer and a for-profit management company, fuels an entrepreneurial environment that allows us to attract and retain outstanding individuals. This is pivotal to the important work we do every day for our membership. We focus on fostering a strong work culture that empowers employees and provides them with a sense of purpose and direction in their career.

Here are a few of the initiatives we launched in 2017 that are vital in attracting and retaining our talented employees:

**EMPLOYEE ENGAGEMENT COMMITTEE**

PURE’s Employee Engagement Committee, a group of over 30 individuals from various office locations and departments, is dedicated to maintaining and enhancing an environment that values and supports our employees. The committee focuses mainly on culture, onboarding and PURE’s social impact, which together help to cultivate and sustain an engaged workforce.

**VOLUNTEER TIME OFF**

We recently introduced volunteer time off (VTO), which is paid time off designated specifically for volunteering, so our employees have flexibility to participate in meaningful, purposeful and rewarding opportunities. As an organization, we are aiming to log 500 volunteer days within a year.

**LEARNING & DEVELOPMENT**

When we invest in further educating our team, we are able to deliver more innovative solutions and offer a higher level of service to our membership. We offer our employees many personal and professional advancement programs, including courses aimed at developing young talent, education for first-time managers and leadership seminars.

**COLLEGE LOAN ASSISTANCE**

PURE partnered with financial technology company CommonBond to add a student-loan assistance program to our benefits package. The program is designed to help employees pay off their student debt or their child’s student debt more quickly.
WE COME INTO WORK KNOWING THAT OUR HARD WORK AND DEDICATION IS HELPING TO SHAPE THE FUTURE OF THE COMPANY. PURE’S FOCUS ON EMPLOYEE ENGAGEMENT IS PALPABLE IN EVERY OFFICE.”

Caitlin Rascelles
VP, New York Metro Regional Executive
Bridging the Talent Gap

There is an impending talent gap in the insurance industry. Companies are either struggling to recruit young talent or overlooking this demographic in their recruiting efforts, despite the growing pool of qualified candidates.

PURE’s philosophy has always been to play the long game. We take this approach with nearly everything we do, including recruiting. We hire experienced talent throughout the year, but we also focus a large portion of our recruiting efforts on identifying and attracting the next generation of insurance industry executives.

PURE’s annual summer training program, launched in 2010, is integral to this approach. Over the past eight years, we have hired nearly 200 recent graduates from top-tier schools throughout the country. We introduce them to PURE and the insurance industry and provide comprehensive training for their permanent roles on PURE’s Member Advocate, Underwriting or Product Development teams.

These efforts are already making a difference. While the median age of workers in the insurance industry is 45, at PURE it is 33. Today, 62 percent of our staff are millennials, and 86 percent of millennials hired since 2014 are still with the company. Many of these professionals have since advanced in their careers, assuming a variety of more senior positions and making significant contributions toward PURE’s success. In fact, 100 percent of our inaugural training class is still with us today, each employee serving in a meaningful role.

People of all ages, especially millennials, are interested in joining growing organizations that provide a strong sense of purpose.
THE PURE PRINCIPLES

We are deeply committed to hiring, developing and rewarding exceptionally talented people. We will create and maintain an environment that allows our team to flourish and to be recognized. We appreciate all that our team members do for PURE and seek to provide them with a career that is part of a fulfilling life. In exchange, we ask all employees to uphold these principles:

01
Practice Membercentricity.
Seize every opportunity to create an exceptional member experience and reinforce an alignment of interests with the membership.

02
Use Empathy, Creativity And Urgency to Be Exceptional.
Favor action over unnecessary bureaucracy. Put yourself in their shoes, asking “How?” instead of justifying “Why not?” Take risks that don’t compromise our values or threaten the enterprise, and learn from mistakes.

03
Do the Right Thing.
Never compromise integrity or transparency for the sake of a shortcut. Make the membership, your team members and our partners proud.

04
Be a Team Player. The One Who Is There When Needed the Most.
Emphasize collaboration, active listening and respectful communication. Be proactive and give constructive feedback and receive it earnestly. Work toward the common goal of making our company the best it can be.

05
Be Obsessed with Getting Better.
Think big. Invest in yourself to enhance your expertise and create a better you. Seek out and advocate ways to create a better company, a better industry and a better community.

06
Have Fun.
Bring passion to everything you do. Create joy for others around you.
COMMUNITY

Involvement

The PURE team is dedicated to improving the communities in which we live and work by supporting local and national organizations across the country. From food pantries and shelters to hospitals and cancer research organizations, we are deeply engaged in creating a brighter future for our communities. Here’s a closer look at who we supported in 2017:

ST. BALDRICK’S

We are proud to continue our support of the St. Baldrick’s Foundation, a volunteer- and donor-powered charitable organization committed to funding the most promising childhood cancer research. In March, eight PURE employees participated in a head-shaving event in support of the organization and raised over $90,000—the most we have raised in a single year since we began holding fundraising events in 2015. This brings our total to 26 shaved heads and over $200,000 raised.

Among this year’s shavees was Marlot McMichael, Vice President of Broker & Member Engagement for PURE—the first female employee to take part in this event. Marlot participated in remembrance of her late friend, Virginia “Ginny” Darden Meeks of Beaufort, South Carolina, who sadly lost her battle to breast cancer last year.

5 ARTS CIRCLE

For the second consecutive year, PURE proudly sponsored 5 Arts Circle, a philanthropic organization that supports the performing and visual arts community in and around Phoenix, Arizona.

HABITAT FOR HUMANITY

Habitat for Humanity brings people together to build homes, communities and hope. Throughout the year, several of our employees across the country joined together to participate in build events and volunteer at the organization’s donation centers and nonprofit home improvement stores.
ONE AMERICA APPEAL

In collaboration with the Monterey Peninsula Foundation (the host organization of the PURE Insurance Championship Impacting the First Tee), PURE’s holding company contributed a matching donation of $150,000 to support the One America Appeal. This joint nonprofit initiative was launched by all five living former American Presidents to benefit hurricane recovery efforts in the devastated areas of Houston, Florida, Puerto Rico and the U.S. Virgin Islands. In total, the Appeal raised an impressive $42,000,000.

THE UNITED WAY

The United Way improves lives by mobilizing the caring power of communities around the world to advance the common good. Our corporate headquarters in White Plains, New York, continued our long-standing support of this organization through a variety of initiatives. This included the Teach Me to Fish program, which provides job skill training, financial education and personalized counseling for chronically unemployed or underemployed adults.

COMMUNITY INVOLVEMENT

Members of the PURE team are dedicated to improving the communities in which we live and work. We support many local and national organizations across the country, from food pantries and shelters to hospitals and cancer organizations.

Marlot McMichael displays a picture of her late friend, Ginny, and Ginny’s two young children as she participates in PURE’s head-shaving event for St. Baldrick’s at the 2018 PURE Leadership Forum.
THE PURE INSURANCE Championship

2017 marked the inaugural PURE Insurance Championship Impacting The First Tee, which was held September 22–24 at the famed Pebble Beach Golf Links. This PGA TOUR Champions event brings together legends of golf to play alongside amateurs and top juniors from The First Tee. Funds raised by the event are distributed by the Monterey Peninsula Foundation (the event’s host organization) to support area First Tee chapters and other nonprofit organizations in Monterey, Santa Cruz and San Benito counties.

CONGRATULATIONS TO THE WINNERS

After 54 holes of golf, Bernhard Langer claimed victory for the Champions and 17-year-old Justin Potwora of Eugene, Oregon, won for the Juniors.

The 2018 tournament will be held September 28–30. For the latest news and updates on the event, including ticket information, follow us on Twitter and Instagram at @PUREFirstTee and on Facebook at facebook.com/PUREFirstTee.

THE FIRST TEE

The First Tee is a nonprofit youth development organization dedicated to introducing the game of golf and its Nine Core Values to young people throughout the country.

THE FIRST TEE’S NINE CORE VALUES

- Honesty
- Integrity
- Sportsmanship
- Respect
- Confidence
- Responsibility
- Perseverance
- Courtesy
- Judgment
PRINCE OF PEBBLE

Mark O’Meara

A PURE member since 2015, Mark O’Meara is a 16-time winner on the PGA TOUR—including five titles at Pebble Beach—and we were honored to have him play in the PURE Insurance Championship. He and his wife, Meredith, together with their two dogs, split their time between their homes in Houston, Texas, and Park City, Utah, which is where they first experienced PURE’s service.

Less than a year after the O’Mearas completed construction on their Park City home, a washing machine hose burst on the second floor, causing significant damage to the theater room that sat directly below. Portions of the ceiling in the room had collapsed, the hardwood flooring was badly warped and all of the expensive electronic equipment was destroyed. PURE Claims Adjuster Shawn Roessler took care of the entire process—from coordinating vendors who can assist in the dry-out and clean-up efforts to locating replacements for items that were beyond repair.

“Everyone from our Member Advocate all the way up to the executive team couldn’t have been more helpful,” said Mark. “They took a personal interest in our home, and we felt like someone was always on our side throughout the claim—just like a family member.”

“My main motto in life is to surround myself with good people and to never stop improving—as a golfer and as a person. I’ve had a purpose-driven life, and PURE is a purpose-driven company.”

PURE member and golf legend Mark O’Meara with his “Lucky Putter” at his home in Houston, Texas.
THE PURE GROUP
and Its Affiliates

The PURE Group of Insurance Companies (PURE Group) is a specialist group of companies with common management serving the personal insurance needs of successful families across the United States. Collectively, the companies that make up the PURE Group benefit the PURE membership by creating excellent financial strength, capital flexibility and a strong sense of alignment of interests between policyholders and an elite group of outside shareholders.

At the heart of the PURE Group is a member-owned insurer, Privilege Underwriters Reciprocal Exchange (PURE).

Members pay their premiums to PURE and contribute surplus capital for the first five years of membership. All in, the cost of PURE policies (including surplus contributions) has led members to report significant savings—an average of 20 percent or more annually on Homeowners insurance.1

While most members view surplus contributions as part of the overall cost of their insurance, they are separate from typical premiums and much more efficient. For starters, there are no fees paid to the Attorney-in-Fact (independent management company) relative to surplus contributions, and they are not shared with PURE Insurance Company (PIC), our pooled insurer. This helps improve operating results.

Claims are typically paid from premiums and shared with participating reinsurers (including our pooled insurer). There is no risk of assessments, even in a bad year, and members participate in the good outcomes through Subscriber Savings Accounts (SSAs). To date, nearly $45,000,000 has been allocated back to the membership through SSAs, and at the time of publication, we are awaiting regulatory approval to allocate $15,000,000 for the 2017 year. SSAs are one of the more tangible examples of an alignment of interests.

Members also play an important part in the governance of the company through a Subscribers’ Advisory Committee (SAC). This group provides a voice of the membership to management and has the responsibility of procuring and reviewing the annual independent audit for PURE.

1 Average annual savings on Homeowners insurance for members reporting prior carrier premiums from Jan. 2011 through Dec. 2017. Actual savings, if any, may vary.
Privilege Underwriters, Inc. (PUI) is a holding company for a collection of affiliated businesses that are shareholder-owned and play an important role in making the PURE Group work well. These companies include PIC, PURE Risk Management (PRM), PURE Programs and The Haven Art Group. Together, they create an entrepreneurial environment for employees, a source of additional capital and capital flexibility for the insurance companies and a broader service offering for PURE members.

PIC is a stock insurer that is pooled with PURE and shares common management. PIC provides the membership with real capital support and tremendous capital flexibility while reinforcing an alignment of interests between the parties.

A.M. Best treats the PURE Group of Insurance Companies (PURE and PIC) as “pooled capital” because the pooling agreement requires the companies to combine their resources and obligations and to share in premiums, losses and almost all expenses.

Because PIC does not write any direct business itself, the pooling agreement means that PIC stands behind PURE with all of its resources. PIC also brings capital flexibility to the PURE Group since PIC or PUI can easily access capital markets.

The agreement also helps to strengthen alignment by ensuring that the investor-owned part of the PURE Group shares in underwriting results.

PURE Risk Management (PRM) serves as the Attorney-in-Fact for PURE. PRM is paid a fee to provide marketing, underwriting and claims-administration services for PURE. In turn, PRM provides the human, technological and operational resources and intellectual capital required to run the insurance operations of PURE.

THE PURE GROUP OF INSURANCE COMPANIES ENJOYS A FINANCIAL STRENGTH RATING OF A- (EXCELLENT) WITH A POSITIVE OUTLOOK FROM A.M. BEST.²
POLICIES AND PREMIUMS

Gross Written Premiums

PURE continues to experience steady organic growth in gross written premiums.

The PURE Membership

By the end of 2017, PURE’s membership grew to more than 70,000 responsible high net worth individuals and families.

GROWTH

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>26,177</td>
</tr>
<tr>
<td>2014</td>
<td>36,687</td>
</tr>
<tr>
<td>2015</td>
<td>49,818</td>
</tr>
<tr>
<td>2016</td>
<td>61,136</td>
</tr>
<tr>
<td>2017</td>
<td>70,475</td>
</tr>
</tbody>
</table>

We are proud that our member retention rate and Net Promoter Score (NPS®) reflect a highly enthusiastic membership.

MEMBER RETENTION

95.3%

NET PROMOTER SCORE

71

Our annual member survey was issued in early 2018. We are delighted to share that our NPS has once again increased. Our NPS of 71 reflects a highly engaged and enthused membership, and it’s even higher among members who have experienced our claims service.

NPS is a measure used to gauge customer loyalty and enthusiasm. An organization’s NPS is derived by classifying customers into three categories—Promoters, Passives and Detractors—based on their answer to one simple question: How likely are you to recommend our company to a friend or colleague? Customers respond on a 0–10 scale, where 0–6 are Detractors, 7–8 are Passives and 9–10 are Promoters.
Products

PURE offers comprehensive, customizable insurance products tailored to meet the needs of high net worth individuals. Members who bundle their policies can have fewer coverage gaps, benefit from generous discounts (where available) and enjoy the ease and convenience of a single billing statement.¹

<table>
<thead>
<tr>
<th>PERCENT OF MEMBERS WHO PURCHASE COVERAGE FROM PURE</th>
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</thead>
<tbody>
<tr>
<td>HOME</td>
</tr>
<tr>
<td>97.4%</td>
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</tbody>
</table>

*PURE Starling® Fraud and Cyber Fraud coverage is an optional endorsement that can be added to a PURE Homeowners policy. Since its launch in October 2017, 43 percent of new members who live in an eligible state purchased PURE Starling.

Subscriber Savings Accounts

Despite the industry facing historic catastrophe losses, we are delighted to share that we have requested regulatory approval to make an allocation of $15,000,000 to Subscribers Savings Accounts (SSAs) for the 2017 year. This will bring the total to nearly $60,000,000 allocated back to the membership since inception. For more information on SSAs and the unique value they provide, visit pureinsurance.com/ssa.

AMOUNT ALLOCATED TO THE MEMBERSHIP

<table>
<thead>
<tr>
<th>AMOUNT ALLOCATED TO THE MEMBERSHIP</th>
</tr>
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<tbody>
<tr>
<td>$1M</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>$1.5M</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>$5M</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>$8M</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>$4M</td>
</tr>
<tr>
<td>2015</td>
</tr>
</tbody>
</table>

Fifth Renewal Benefit

Upon reaching their fifth renewal, members no longer pay surplus contributions as part of the cost of their insurance. Over 5,000 members passed this milestone last year, saving over $4,000,000 in 2017 alone. This brings the total number of members who no longer pay surplus contributions to 14,600, which represents 21 percent of the membership.

A member’s tenure with PURE has a direct correlation to their enthusiasm; the NPS of members who have been with PURE for five years or longer is seven points higher than that of newer members.

<table>
<thead>
<tr>
<th>PURE MEMBERS WHO REACHED THEIR FIFTH RENEWAL IN 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>THEIR COMBINED SAVINGS IN 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,800,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>THE NPS AMONG MEMBERS WHO NO LONGER PAY SURPLUS CONTRIBUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
</tr>
</tbody>
</table>

¹ Not currently available for primary flood.
² At the time of publication, the 2017 SSA allocation of $15,000,000 is pending regulatory approval.
Membership Diversification

PURE’s book of business continues to diversify year after year. Diversified growth enables PURE to improve efficiency and reduce the severity of any one catastrophic event.

In 2017, we maintained steady growth across all regions, with both California and the Western States continuing to grow at the fastest pace.
CLAIMS AND EXPENSES

Claims Count by Year

As the membership grows, we are naturally going to see an increase in the number of claims we receive. To date, this number is greater than 80,000.

The number of claims not related to catastrophes—like automobile accidents, thefts and interior water damage—can be expected to increase somewhat steadily, while claims from weather events like hurricanes and wildfires are less predictable. However, a well-diversified book of business can help to lessen the impact of this volatility.

When Hurricane Sandy hit the U.S. in 2012, a much larger proportion of PURE’s business was concentrated in the Northeast. Today, the membership is spread more evenly across the country. 2017 included two of our top three catastrophe events since PURE’s inception: Hurricane Irma and Hurricane Harvey. These two catastrophes, when combined with others throughout the year, caused 13 percent of PURE’s claims. This is a higher percentage than in previous years, but not nearly as high as that of 2012, when 28 percent of claims were attributed to catastrophes, primarily Hurricane Sandy. This difference can be heavily attributed to diversification.

Loss Recovery

PURE uses subrogation and salvage to help reduce the losses paid out during claims, which in turn helps to improve overall operating results, reduces the cost of insurance premiums and, in some situations, allows us to reimburse some or all of a member’s deductible.

The legal process of subrogation is used to attempt to recover losses when a third party is liable for the damage. This could be the other driver in an automobile accident, a contractor who installed a water line incorrectly or any other responsible entity. This ensures that the at-fault party, rather than the PURE membership, bears the cost of that claim.

Salvage, the amount we are able to recover for saleable parts of damaged items, also helps to lessen the financial impact of a claim. The increased value we received for flooded vehicles during Hurricane Harvey had a significant effect on PURE’s total salvage last year.
CLAIMS AND EXPENSES

PURE’s Combined Ratios

An insurer’s combined ratio measures losses and expenses against premium to help evaluate underwriting results. A combined ratio below 100 percent typically indicates profitability. However, a growing insurance company may show statutory underwriting losses even with a combined ratio under 100 percent. Management monitors three combined ratios to evaluate PURE’s operating performance.

PURE’s 2017 combined ratios, both with and without the impact of catastrophe-related claims, are presented below.

<table>
<thead>
<tr>
<th>RATIO</th>
<th>EQUATION</th>
<th>PURE</th>
<th>EXCLUDING CATASTROPHES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Combined Ratio</td>
<td>Total Claim Costs + Total Operating Expenses / Total Premium Earned</td>
<td>102.1%</td>
<td>84.1%</td>
</tr>
<tr>
<td>Net Combined Ratio</td>
<td>Net Claim Costs + Net Operating Expenses / Net Premium Earned</td>
<td>108.6%</td>
<td>94.9%</td>
</tr>
<tr>
<td>Adjusted Combined Ratio</td>
<td>Net Claim Costs + Net Operating Expenses / (Net Premium Earned + Member Surplus Contributions)</td>
<td>88.4%</td>
<td>77.4%</td>
</tr>
</tbody>
</table>

Loss Prevention Benefit

PURE’s Homeowners policy includes a $2,500 Loss Prevention Benefit, money that members can use to make their homes safer or better equipped to prevent a loss from recurring.

In 2017, we made 530 Loss Prevention Benefit payments, totaling over $1,200,000. Since the program began, over $3,800,000 has been invested to help make our members more resilient following a loss.

TOP 5 USES OF PURE’S LOSS PREVENTION BENEFIT

<table>
<thead>
<tr>
<th>Top Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole-House Leak Detection Systems</td>
</tr>
<tr>
<td>Hail-Resistant Materials</td>
</tr>
<tr>
<td>Home Security Systems</td>
</tr>
<tr>
<td>Arborist Services</td>
</tr>
<tr>
<td>Sump Pumps</td>
</tr>
</tbody>
</table>
Costliest Causes of Loss

The chart below shows the six causes of loss across all lines of business that led to the greatest portion of the year’s total claim costs. These percentages reflect what PURE has paid or expects to pay on claims reported in 2017.

Water damage continues to be the costliest cause of loss among the PURE membership. This includes damage from events like burst pipes, roof leaks and overflow of household appliances (but not flood damage). Auto collision, while accounting for over one-third of PURE’s claims count, still cost the membership less in damages than water did.

Many of last year’s claims were also attributed to flooding, as Hurricane Harvey totaled hundreds of cars and caused significant damage to members’ homes. While a standard Homeowners policy does not cover losses caused by flooding, PURE offers a variety of flood solutions in most states. Speak to your independent broker to ensure you are properly covered.

Average cost per claim reflects funds paid as well as on reserve as of 4.11.18.

*Includes claims covered by the NFIP but administered through PURE.
Both PURE and the PURE Group (the combination of PURE and PIC) have experienced steady growth in admitted assets year-over-year.

The Growing Impact of Surplus Contributions

Surplus contributions are included in a member’s cost of insurance for their first five years of membership. These funds, which equal a small percentage of a member’s premiums, provide a steady flow of capital to PURE, supporting its financial strength and creating a favorable cost of capital. This lower cost of capital contributes to PURE’s highly competitive rates. In 2017, surplus contributions reached $43,300,000.
Policyholder Surplus

Policyholder surplus represents the capital that allows an insurer to meet all of its obligations beyond premiums, reserves and reinsurance.

Last year, the PURE Group’s surplus grew by more than 33 percent to $416,600,000.

Net Written Premium to Surplus Ratio

In 2017, the PURE Group grew surplus at a faster rate than premiums, which lowered our premium to surplus ratio once again. PURE maintains a lower leverage ratio than most of the largest primarily personal lines insurers.

*2017 Industry Average is defined as the weighted average of net written premium to surplus ratio for the top ten U.S. Homeowners and Automobile carriers—defined as carriers with at least 90 percent of domestic writings in Homeowners and/or Personal Automobile lines.

INVESTMENTS

Investment returns play an important role in the economics of an insurance company, but an aggressive investment strategy can also create risk. PURE maintains a conservative investment portfolio composed primarily of short-duration, high-credit-quality, fixed-income holdings. These performed well in 2017. As a growing company, PURE is continually adding to its investment portfolio and grew its cash and invested assets by $46,000,000.

INVESTMENT MIX

TOTAL CASH AND INVESTED ASSETS
Reinsurance plays an important role in the financial strength and claims-paying ability of the PURE Group. We enter into these reinsurance contracts (known as treaties) in order to reduce the volatility of our results and support prudent growth. Reinsurance treaties provide several types of protection, including:

**Per-Risk Pro-Rata.** Also known as quota share, these are treaties in which reinsurers share in the premiums and losses for each covered risk. While pro-rata treaties are often subject to loss limitations (single large risks and/or catastrophic events), they provide the most comprehensive protection of any reinsurance program and fill gaps around Excess of Loss (XOL) programs. PURE places several pro-rata treaties across our Homeowners, Personal Excess Liability, Collections and Watercraft programs.

**Per-Risk XOL.** For our largest property exposures, PURE purchases reinsurance to limit the potential impact of any one large loss. Under these treaties, reinsurers not only respond if there is a loss under a covered policy that is in excess of a predetermined limit, but also provide important volatility protection against high-severity loss perils (typically large fires). PURE purchases per-risk XOL on our highest valued homes and watercraft as well as collections of fine art, jewelry and automobiles.

**Catastrophe XOL.** PURE purchases significant reinsurance “towers” that protect against losses to multiple risks at one time due to natural catastrophes. We spend a lot of time and analytical effort to evaluate our potential exposure to a variety of natural catastrophes across our geographic footprint. Based on that information, we purchase catastrophe reinsurance to protect the PURE Group against massive catastrophic events (including those events that have much less than a 1-in-100 year modeled probability of occurring) with appropriate “reinstatement” provisions that will provide cover even if such an unthinkable event were to happen multiple times in the same year.

The PURE Group partners with over 60 highly rated and well-respected reinsurers across all treaties. This diversification helps to mitigate any third-party credit risk and ensures the financial strength and soundness of our reinsurance program.

These companies believe in PURE and are willing to put their capital at risk to support our growth. In the spirit of alignment, we need to ensure that we deliver an appropriate profit to these important capital providers to foster long-term support.

<table>
<thead>
<tr>
<th>KEY REINSURERS INCLUDE:</th>
<th>A.M. BEST RATING</th>
<th>HOME</th>
<th>CATASTROPHE</th>
<th>ALL OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everest Reinsurance Group</td>
<td>A+</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Hanover AG</td>
<td>A+</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Lloyd’s Syndicates</td>
<td>A</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>MS Amlin AG</td>
<td>A</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Munich Re</td>
<td>A+</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>PartnerRe</td>
<td>A</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>SCOR Reinsurance</td>
<td>A+</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Sirius America</td>
<td>A</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Tokio Millennium</td>
<td>A++</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>XL Catlin</td>
<td>A</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>
### BALANCE SHEET

Dollars in thousands. Numbers may not add up due to rounding.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>CHANGE</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cash &amp; Invested Assets</td>
<td>$ 288,051</td>
<td>$ 241,905</td>
<td>$ 46,146</td>
<td>19%</td>
</tr>
<tr>
<td>Net Accounts Receivable</td>
<td>278,858</td>
<td>167,992</td>
<td>110,866</td>
<td>66%</td>
</tr>
<tr>
<td>Other Assets</td>
<td>1,136</td>
<td>900</td>
<td>236</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 568,045</td>
<td>$ 410,797</td>
<td>$ 157,248</td>
<td>38%</td>
</tr>
<tr>
<td>Unpaid Losses &amp; LAE</td>
<td>$ 56,252</td>
<td>$ 37,128</td>
<td>$ 19,124</td>
<td>52%</td>
</tr>
<tr>
<td>Accounts Payable &amp; Accrued</td>
<td>43,432</td>
<td>35,370</td>
<td>8,063</td>
<td>23%</td>
</tr>
<tr>
<td>Unearned Premiums</td>
<td>113,946</td>
<td>85,647</td>
<td>28,299</td>
<td>33%</td>
</tr>
<tr>
<td>Reinsurance Payable</td>
<td>110,365</td>
<td>77,996</td>
<td>32,369</td>
<td>42%</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>16,470</td>
<td>17,566</td>
<td>(1,096)</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$ 340,464</td>
<td>$ 253,706</td>
<td>$ 86,758</td>
<td>34%</td>
</tr>
<tr>
<td>Surplus Notes</td>
<td>$ 115,227</td>
<td>$ 91,692</td>
<td>$ 23,535</td>
<td>26%</td>
</tr>
<tr>
<td>Member Surplus Contributions</td>
<td>150,943</td>
<td>131,007</td>
<td>19,936</td>
<td>15%</td>
</tr>
<tr>
<td>Subscriber Savings Accounts</td>
<td>40,903</td>
<td>17,543</td>
<td>23,361</td>
<td>133%</td>
</tr>
<tr>
<td>Unassigned Surplus &amp; Other</td>
<td>(79,493)</td>
<td>(83,151)</td>
<td>3,658</td>
<td>-4%</td>
</tr>
<tr>
<td><strong>Surplus as Regards to Policyholders</strong></td>
<td>$ 227,580</td>
<td>$ 157,090</td>
<td>$ 70,490</td>
<td>45%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>CHANGE</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PURE GROUP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cash &amp; Invested Assets</td>
<td>$ 598,810</td>
<td>$ 501,639</td>
<td>$ 97,171</td>
<td>19%</td>
</tr>
<tr>
<td>Net Accounts Receivable</td>
<td>216,602</td>
<td>160,400</td>
<td>56,202</td>
<td>35%</td>
</tr>
<tr>
<td>Other Assets</td>
<td>70,790</td>
<td>8,184</td>
<td>62,605</td>
<td>765%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 886,203</td>
<td>$ 670,224</td>
<td>$ 215,979</td>
<td>32%</td>
</tr>
<tr>
<td>Unpaid Losses &amp; LAE</td>
<td>$ 112,504</td>
<td>$ 74,256</td>
<td>$ 38,248</td>
<td>52%</td>
</tr>
<tr>
<td>Accounts Payable &amp; Accrued</td>
<td>43,655</td>
<td>35,591</td>
<td>8,064</td>
<td>23%</td>
</tr>
<tr>
<td>Unearned Premiums</td>
<td>227,892</td>
<td>171,294</td>
<td>56,597</td>
<td>33%</td>
</tr>
<tr>
<td>Reinsurance Payable</td>
<td>68,476</td>
<td>54,292</td>
<td>14,184</td>
<td>26%</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>17,069</td>
<td>22,618</td>
<td>(5,549)</td>
<td>-25%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$ 469,596</td>
<td>$ 358,051</td>
<td>$ 111,545</td>
<td>31%</td>
</tr>
<tr>
<td>Common Capital Stock</td>
<td>$ 920</td>
<td>$ 920</td>
<td>$ 0</td>
<td>0%</td>
</tr>
<tr>
<td>Contributed Capital</td>
<td>217,122</td>
<td>172,122</td>
<td>45,000</td>
<td>26%</td>
</tr>
<tr>
<td>3rd Party Surplus Notes</td>
<td>115,227</td>
<td>91,692</td>
<td>23,535</td>
<td>26%</td>
</tr>
<tr>
<td>Member Surplus Contributions</td>
<td>150,943</td>
<td>131,007</td>
<td>19,936</td>
<td>15%</td>
</tr>
<tr>
<td>Subscriber Savings Accounts</td>
<td>40,903</td>
<td>17,543</td>
<td>23,361</td>
<td>133%</td>
</tr>
<tr>
<td>Unassigned Surplus &amp; Other</td>
<td>(108,509)</td>
<td>(101,112)</td>
<td>(7,397)</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Surplus as Regards to Policyholders</strong></td>
<td>$ 416,606</td>
<td>$ 312,172</td>
<td>$ 104,434</td>
<td>33%</td>
</tr>
</tbody>
</table>
EXECUTIVES

Kevin Daley
President, Western Zone

Katherine Frattarola
Senior Vice President, Chief Marketing Officer

Mark Galante
President, Northeast Zone & Strategic Alliances

Katherine Richardson
Senior Vice President, Chief Human Resources Officer

W. Keith Self
President, Southern Zone

Mike Taylor
Senior Vice President, Chief Claims Officer

PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE

Subscribers’ Advisory Committee
Ross Buchmueller
President and CEO, Privilege Underwriters, Inc.
Joey Cummings
CEO/Chief Strategic and Creative Officer, The Joey Company
Douglas Fields (Secretary)
Senior Vice President, BB&T Oswald Trippe And Co.
Richard Jacobs
Managing Director, CGA Capital
Jodi Lash
CEO, J. Lash & Company
James H, McLaughlin (Chairman)
CEO, James H. McLaughlin & Co., LLC
William W. Wilson III
Executive Chairman, Queue Software

Attorney-In-Fact
PURE Risk Management, LLC
(wholly owned subsidiary of Privilege Underwriters, Inc.)

Actuarial Services
Perr & Knight | Boca Raton, FL
Auditor
EisnerAmper LLP | Edison, NJ
Investment Management
Asset Allocation & Management (AAM) | Chicago, IL

Ross Buchmueller
President and CEO, Privilege Underwriters, Inc.

Jeff Paraschac
Executive Vice President, Chief Financial Officer

Martin Hartley
Executive Vice President, Chief Operating Officer

PURE INSURANCE COMPANY

Directors
J. Stephen Baine
General Partner, Starboard Specialty Funds, LLC
Ross Buchmueller
President and CEO, Privilege Underwriters, Inc.
James Carey
Senior Principal, Stone Point Capital
Christopher Harrington
Partner, Private Equity, KKR
Peter Mundheim
Principal, Stone Point Capital
Tagar Olson
Head of Financial Services, KKR
Nicolas Zerbib
Senior Principal, Stone Point Capital

Actuarial Services
Perr & Knight | Boca Raton, FL
Auditor
EisnerAmper LLP | Edison, NJ
Investment Management
Asset Allocation & Management (AAM) | Chicago, IL

PRIVILEGE UNDERWRITERS INC.

Directors
J. Stephen Baine
Ross Buchmueller
James Carey
Christopher Harrington
Peter Mundheim
Tagar Olson
Nicolas Zerbib
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6263 North Scottsdale Road
Suite 245
Scottsdale, AZ 85250

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1 Post Street
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106 Allen Road
Suite 301
Basking Ridge, NJ 07920

NEW YORK (HQ)
44 South Broadway
Suite 301
White Plains, NY 10601

NEW YORK
915 Broadway
Suite 601
New York, NY 10010

FLORIDA
800 Corporate Drive
Suite 420
Fort Lauderdale, FL 33334

SOUTH CAROLINA
701 East Bay Street
Suite 312
Charleston, SC 29403

ILLINOIS
10 South Riverside Plaza
Suite 1900
Chicago, IL 60606

GEORGIA
300 Colonial Center Parkway
Suite 200
Roswell, GA 30076

CALIFORNIA
4660 La Jolla Village Drive
Suite 340
San Diego, CA 92122

NEW YORK
915 Broadway
Suite 601
New York, NY 10010

GEORGIA
300 Colonial Center Parkway
Suite 200
Roswell, GA 30076

SOUTH CAROLINA
701 East Bay Street
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