

# Best's Rating Report

## THE PURE GROUP OF INSURANCE COMPANIES

Fort Lauderdale, Florida



A-

### THE PURE GROUP OF INSURANCE COMPANIES

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#### BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Financial Strength Rating of A- (Excellent). The group's Financial Size Category is Class VII.

#### RATING UNIT MEMBERS

The PURE Group of Insurance Companies (AMB# 18740):

AMB #	Company	Best's FSR
13929	PURE Insurance Company	A- p
13816	Privilege Undrwtrrs Recip Exch	A- p

#### RATING RATIONALE

**Rating Rationale:** The rating and outlook reflect The PURE Group of Insurance Companies' (PURE) solid risk-adjusted capitalization, moderate operating leverage measures, prudent reinsurance programs, and management's successful history in the niche of high net worth personal lines clients. Partially offsetting these positive factors is the group's inherent exposure to weather-related events in Florida and other coastal states, as well as certain execution risks involved in expanding premium volume and PURE's continuing geographic spread into new states.

The positive rating factors include PURE's strong risk-adjusted capitalization, which is anticipated to remain solid for its rating level.

The group maintains very modest operating leverage measures, while its business plan indicates these measures will be maintained at a conservative level in future years. The rating also contemplates potential additional financial flexibility afforded through its parent company with multiple investor sources, and the growing impact of surplus contributions from PURE subscribers. As a predominantly Florida and coastal property writer, PURE has maintained adequate reinsurance protection, using a combination of quota share, excess of loss, and catastrophe reinsurance programs to protect its surplus from catastrophe events. In addition, the group's management has extensive experience, with favorable operating results associated with starting and managing similar niche books of business with other carriers.

Partially offsetting the group's positive rating factors is a significant level of inherent exposure to severe and frequent weather-related events, currently primarily in Florida. The group's expansion plans include additional states with coastal exposure, further pressuring risk-adjusted capitalization in the event of catastrophe events. However, the use of extensive reinsurance programs mitigates these factors somewhat, although material adverse changes to these programs could unfavorably impact operating performance and risk-adjusted capitalization. In addition, the group faces certain execution risks, particularly from an infrastructure standpoint, as premium volume and geographic spread increase. A.M. Best will closely monitor PURE's quarterly performance and adherence to its stated business plans to ensure rating adequacy.

**Best's Financial Strength Rating: A-**

**Outlook: Stable**

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## KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
2007	5,637	-3,411	59,393	49,124	118.1
2008	12,349	-6,589	113,401	94,469	147.2

(\*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings.

## BUSINESS REVIEW

The PURE Group of Insurance Companies (PURE) consists of Privilege Underwriters Reciprocal Exchange (Exchange), a reciprocal insurer, and PURE Insurance Company (PIC), a stock company formed in the second quarter of 2008. The Exchange commenced writing personal lines (homeowners, auto, inland marine, liability) for high net worth clients in Florida in January 2007. Policyholders are known as "members" or "subscribers," who agree to exchange contracts of insurance among themselves to achieve desired risk pooling. These subscribers, in addition to paying premiums, make additional contributions to surplus for their first five years of membership, thus helping to grow surplus organically. An "attorney in fact" (AIF) is appointed by the subscribers, and manages the reciprocal's finances and handles all underwriting, claims administration, and investments. It is anticipated that the Exchange will continue to write all the business of the group; however, both companies began to operate under an intercompany reinsurance pooling arrangement in the third quarter of 2008. All business written is combined with the premiums, losses and expenses allocated 50% to each company. The Exchange began to write in South Carolina in 2008, and New York, New Jersey, and Connecticut in 2009, and intends on further state expansion in upcoming years, while maintaining its strict underwriting criteria concerning high net worth individuals.

## 2008 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Homeowners	25,977	7,818	63.3	35.3	1,120
Priv Pass Auto Liab	2,318	2,318	18.8	131.2	2,643
Auto Physical	1,676	1,676	13.6	72.0	223
Oth Liab Occur	1,239	248	2.0	343.4	798
Inland Marine	1,084	240	1.9	25.2	68
All Other	231	49	0.4	49.6	12
Totals	32,524	12,349	100.0	64.5	4,863

## Consolidated Balance Sheet Admitted Assets (\$000)

	12/31/2008	%
Bonds	\$ 95,485	84.2
Cash & short-term invest	5,470	4.8
Total invested assets	\$100,955	89.0
Premium balances	9,401	8.3
Accrued interest	834	0.7
All other assets	2,211	1.9
Total assets	\$113,401	100.0

## Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 4,863	4.3
Unearned premiums	7,179	6.3
All other liabilities	6,890	6.1
Total liabilities	\$ 18,933	16.7
Surplus notes	51,000	45.0
Capital & assigned surplus	88,356	77.9
Unassigned surplus	-44,887	-39.6
Total policyholders' surplus	\$ 94,469	83.3
Total liabilities & surplus	\$113,401	100.0

# Best's Rating Report

## Why is this Best's® Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

### Secure Best's Ratings

A++ and A+	.....	Superior
A and A-	.....	Excellent
B++ and B+	.....	Good

### Vulnerable Best's Ratings

B and B-	.....	Fair
C++ and C+	.....	Marginal
C and C-	.....	Weak
D	.....	Poor
E	.....	Under Regulatory Supervision
F	.....	In Liquidation
S	.....	Rating Suspended

For the latest **Best's Financial Strength Ratings** and *AMB Credit Reports* visit the A.M. Best web site at [www.ambest.com](http://www.ambest.com). You may also obtain *AMB Credit Reports* by calling our Customer Service department at +1-908-439-2200, ext. 5742. To expedite your request, please provide the company's identification number (AMB #).