

# Tower Hill Insurance Exchange



2024

ANNUAL REPORT

# Contents

1	Message From The CEO
2	AI's Game-Changing Role in Property Insurance
4	Member Testimonial: Service Excellence Makes All the Difference
5	Agent Corner: Insight From Our Agents
6	Service Excellence: Our Commitment to Delivering Care & Ease
8	Insurance Policy Review
9	Additional Coverage Options
10	Home Inventory
11	Financial Metrics



# Message From The CEO



**Kirk La**  
CEO

## ***Dear Members,***

*Our great State of Florida experienced another busy year in 2024, with multiple storms making landfall. When these storms hit, you can count on us to be there for you. We are proud and thankful to have the honor of serving Floridians for over 53 years.*

*During these last five decades, we've seen many companies come and go in the Florida market. At Tower Hill, we've held steadfast and have never left, even during the most difficult times in our state's property insurance history. We are committed to Florida and the citizens who call our state home. We see a brighter future and a more stable property insurance marketplace since the legislative changes enacted in 2022. A more stable marketplace will help consumers and businesses alike.*

*In this annual report, you'll find the financial status of your reciprocal insurance company. The good news is that you are insured with a strong company with one of the largest surpluses of any Florida carrier. On the flip side, high reinsurance costs these last few years, along with the number of storms, have adversely impacted surplus growth.*

*We are cautiously optimistic that reinsurance costs will come down a touch for the 2025/2026 reinsurance treaty year. We also just need Mother Nature to be a little bit kinder in 2025.*

*Besides reinsurance, what else is going on at Tower Hill? For starters, our commitment to providing you with outstanding customer service will not change in 2025. If anything, we are always thinking of ways to make it easier for you to conduct business with us. Going forward, we're leveraging AI and technology to better enhance your overall experience.*

*Excellent customer service is important, but having the right coverage in place is essential for your financial protection. The 2024 storm season once again highlighted the fact that some policyholders did not have enough coverage, or the appropriate deductible level, to help mitigate losses. In addition, many customers today still do not carry flood coverage.*

*Flood is not a covered loss in a standard homeowner's policy. Now is a great time to meet with your insurance agent, who can assist you with finding the right coverage and deductible that best protect your most important asset.*

*With that said, let me again say thank you for allowing us to serve you. Have an amazing 2025. We'll be here when you need us!*

***Many Thanks From Your Tower Hill Team!***



# AI's Game-Changing Role in Property Insurance

*Imagine coming home to find water pouring through your ceiling. In the past, this would have triggered a lengthy, frustrating insurance claim process. But today, Artificial Intelligence (AI) might have already detected the leak through smart sensors, alerted you before major damage occurred, and started your claim automatically. Welcome to the new world of property insurance!*

As with any evolutionary advancement, this transformation presents both promising opportunities and complexities to navigate. Let's examine what some of the possibilities mean for you.

## How AI is Making Insurance Smarter

### *Better Risk Assessment: Getting the Price Right*

Think about how you might assess the risk of damage to your home. You'd consider the obvious factors - neighborhood crime rates, distance to fire stations, or flood zone status. But what about the specific angle of your roof and how it performs during storms in your particular ZIP Code?

AI can analyze thousands of these details simultaneously. It's like having an insurance expert with a photographic memory who's studied millions of homes and their claims histories. This super-powered analysis leads to more accurate pricing - meaning you're more likely to pay a premium that truly reflects your home's specific risks rather than broad averages.

### *Claims Processing: From Weeks to Hours*

*Remember the last time you filed an insurance claim? The paperwork, the phone calls, the waiting....*

AI is speeding up this process. When you upload photos of damage to your home, computer vision technology can instantly analyze what's happened, estimate repair costs, and even approve payments. What once took weeks now takes hours or even minutes.

Even better, AI systems can spot patterns in claims data that humans might miss, helping insurance companies identify and prevent fraud — savings that ultimately benefit honest customers through lower premiums.

### *From Fixing Problems to Preventing Them*

The most exciting shift might be from reactive to preventive insurance. Smart home devices connected to AI systems



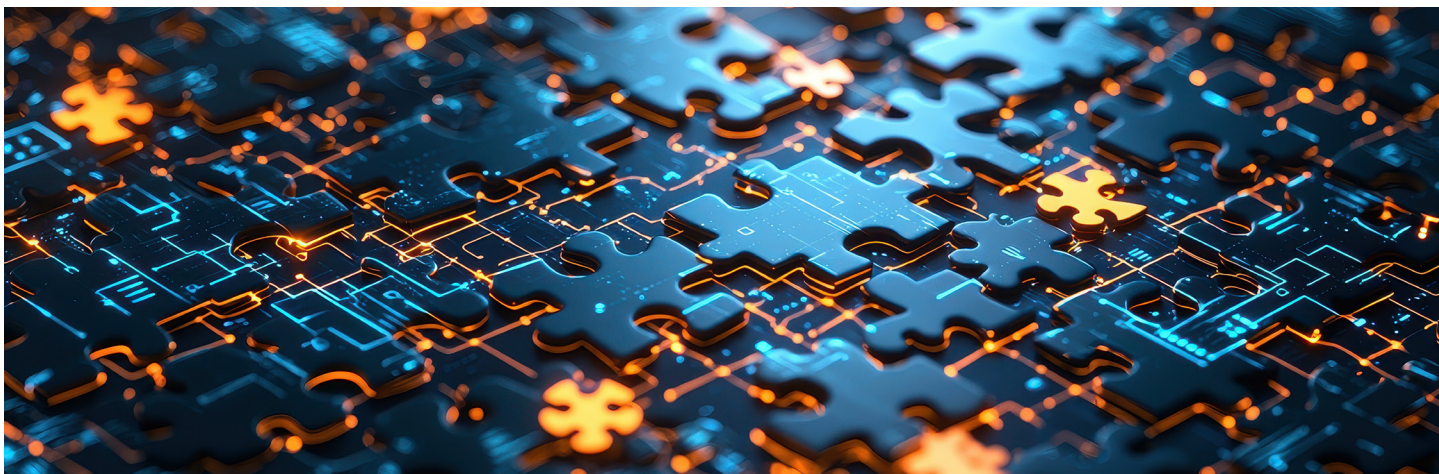
can detect problems before they cause serious damage.

Imagine a water sensor detecting a slow leak behind your dishwasher, or a thermal camera spotting unusual heat patterns in your electrical panel. Your insurance company's AI could alert you immediately, potentially saving thousands in damage and the headache of major repairs.

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*The AI  
revolution  
in property  
insurance is  
just beginning.*

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## Looking Ahead

Tower Hill Exchange is positioning itself at the forefront by focusing on key strategies.



### Training Staff to Work Effectively Alongside AI Systems

Insurance has always been a people business. As AI advances, insurance professionals need to adapt to broader roles. Rather than simply processing paperwork, they'll need to become experts at working alongside AI systems, knowing when to trust the machine and when human judgment is needed. While AI will improve the claims process, you will always have access to our trained claims personnel to help you through the claims process.



### Treating Data as a Valuable Resource That Must Be Carefully Collected and Managed

AI systems learn by finding patterns in data. Think of data as the foundation of a house — without a solid foundation, the house cannot stand properly. Similarly, without good data, AI cannot function effectively.

When we feed an AI system high-quality, well-organized data, it's like providing a student with excellent textbooks, engaged teachers, and hands-on experiments. Then AI can learn more accurately and develop more useful capabilities.



### Investing in Security Protection

Imagine AI systems like a city's water supply. Everyone relies on it daily, often without thinking about it. When you turn on your tap, you expect clean, safe water to flow out.

Cities invest heavily in water treatment facilities to ensure water is safe and reliable. Just as water carries important building blocks of life, AI systems carry valuable data.

AI security and privacy protection is about enabling sustainable, trustworthy advancement that benefits everyone. By establishing strong practices now, we create an environment where AI can flourish safely and responsibly for years to come.



### Committing to Fairness and Transparency in AI-Driven Decisions

Ensuring that AI makes fair decisions for all homeowners represents an exciting opportunity for innovation and progress. Industry guidelines supporting transparency in decision-making provide a helpful framework as we develop these systems. And, talented teams are making remarkable strides in creating AI that's both powerful and explainable.

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## SUMMARY

*For homeowners, this transformation promises more personalized coverage, faster claim resolution, and innovative services that help prevent damage before it occurs. The insurance industry may be fairly old, but AI is teaching it some impressive new tricks.*

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# Member Testimonial:

## Service Excellence Makes All the Difference

Susan and Jon Van de Bogert experienced Tower Hill's industry-leading claims service when a hailstorm damaged their roof last year.

### Jonathan and Susan Van de Bogert

Orlando, Florida

Last winter, a large hailstorm hit the Orlando area and damaged several roofs in the Van de Bogert's neighborhood. During the storm, Jon could hear the hail hitting his home. But they had no interior damage, so he didn't think much about it at the time. It wasn't until speaking with neighbors about their roof damage after the storm that the Van de Bogerts decided to check it out.

As Susan points out, "We are in our 60s and 70s, and so we don't climb around on the roof that often." They had it inspected by a local roofing company and discovered there was damage from the storm.

This was their first claim over the 30 years they have lived in their home, so they were unsure how to proceed. When they called Tower Hill, they were taken care of right away by Desk Adjuster Yanitza D., who, Susan said, "... was very helpful walking us through what we needed to do and how we needed to do it." Susan went on to say that she felt like Yanitza was their partner in the process, dependable and communicative throughout their claim experience.

Tower Hill's claims service consistently receives a high Net Promoter Score (NPS). Determined by customer surveys, NPS is the measure of customer loyalty based on the likelihood of recommending a company to others. Scores between 70 and 100 are considered excellent. The insurance industry average is a score of 45; in 2024, Tower Hill's NPS score was 86.

After filing the claim, the process was quick and easy. Susan was thrilled with the experience. Regarding Tower Hill's service, she said, "I'm actually in the hospitality industry. And so, I know how important that is for what I do. It's so important how your company is represented."



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***"Customer service is something that is very hard to be good at. It's personal, the personal touch. It's a little bit harder to find."***

***— Susan Van de Bogert,  
Exchange Member***

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***"Your recognition means a great deal to me, not only as a professional but also on a personal level. It serves as a powerful reminder that dedication and hard work do not go unnoticed. It is a pleasure working with Tower Hill Insurance."***

***—Yanitza D., Desk Adjuster***



# Agent Corner: Insight From Our Agents

We reached out to two of our agency partners and asked them to share their Tower Hill experiences. *We are only as successful as the relationships we build.*



Kristy Terenzio of Boyd Insurance with Tower Hill's AVP, Digital Strategy, Lem Purcell.

## Kristy Terenzio, Director of Client Service

Boyd Insurance and Investment  
Bradenton, FL



*Tower Hill has been our partner for as long as I can remember. I've been with the agency for over ten years, and Tower Hill has always been at the top of our portfolio for our community.*

*It's been an interesting year for storms. We're no strangers to a hurricane or two to come in close to us, but [this year] we have had multiple direct hits where we've felt significant impact. Our community is struggling. Our team is tired, but also energized by the opportunity to help our clients, some who have lost their properties entirely, by helping them get those replaced with some of the coverages that we hold in place for them. Tower Hill has been communicative and easy to work with, and filing claims has been an easy process. They've just been a really powerful tool for our clients.*

*Being an independent agency, we're always vetting our carriers and making sure that they're giving our clients the best service possible. And Tower Hill has been fantastic thus far in the claims process, and certainly from a coverage standpoint as well.*

## Brett Merrill, CEO

Merrill Insurance Group  
Eustis, FL



*I joined the business back in 2009, as a commissioned commercial producer, which was a tough lesson. But it gave me a lot of insight, a lot of clarity of how hard it is to start in this industry and to build those relationships. When you do get relationships, you really have to invest in them. Not only have we invested in that relationship with Tower Hill, but they have also invested in us.*

*In July of this year, I bought the agency from my father to keep the legacy going. I look at Tower Hill as a symbol of what can be done from small beginnings, to where they are today and looking out 50 years, as we hope to do here at our agency.*

*Tower Hill has a long-term view of things. We make a promise to our customers that this carrier is going to be here. At every storm, at every intersection and every complaint or every triumph, Tower Hill has been there for us. And so, it's comforting knowing that as we go on with our journey, Tower Hill is going to be walking and running beside us.*



Brett Merrill with his father, the agency's founder, Kent Merrill

# Service Excellence: Our Commitment to Delivering Care & Ease

For 53 years, service has been at the core of Tower Hill. During our 50-year anniversary milestone, we recommitted Service Excellence as a core value, a promise to "deliver the highest quality experience with ease, consistency, and care." It is our goal to deliver the best customer experience in the industry.

We listened to your feedback, leveraged Lean Six Sigma teams to improve processes, and invested in technology to serve you better, now and in the future. In 2024, we set out to further enhance our members' experience at all touch points, from policy purchases to closing claims. Whether you are working with your agency, speaking to one of our professional service representatives, or conducting business online, you can expect us to be there for you.



## Our Employees Deliver Caring Service

Our customer-centric culture starts with the development of our employees as we continue to execute our standard for professionalism and care. In 2024, 100% of Tower Hill employees completed service excellence training, which we have since expanded to partner contractors who are oftentimes part of delivering your claims experience. You can be sure we expect the same care delivered to our members by anyone with whom you interact representing Tower Hill.

Call center representatives receive additional specialized training and coaching to handle your requests with care. Additionally, our Customer Service and Underwriting teams collaborated to share skills and knowledge, so that our representatives can answer even more of your questions. With highly skilled employees, you can expect your questions to be answered efficiently with less need to be transferred.

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***"Our goal is to deliver the best customer experience in the industry."** — Kirk La, CEO*

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## Seamless Processes & Self-Service

We consider your feedback seriously and take action to make it easier and more efficient to do business with us. In 2024, our members and agency partners completed over 5,000 surveys, and you rated our claims experience the highest it has been, achieving a world-class level Net Promoter Score of 86, up eight points since 2022.

We thoughtfully redesigned our phone menu with clear options that get you to a representative faster or to confirm information without talking to someone. You can now get to your assigned claim adjuster directly, check your payment status quickly, and hear instructions when changing coverage.



Building on our digital capabilities, we made it easier for members to sign up with Tower Hill through electronic document signatures. Now, in just a few clicks via email or text message, more than 90% of new members complete their forms digitally, an increase from just over 50% previously. Less paperwork makes it easier for everyone and equates to more savings.

**Leverage Technology to Make it Easy**

You can get real-time updates and 24/7 access via our online Customer Portal. We are excited about this new capability and anticipate sharing more details in the future.

Since launching our cloud-based call center platform in 2023, we've been able to continually expand our service capabilities. In December, we launched Co-Browsing, enabling our representatives to walk you through completing a transaction when needed.

This screen-sharing function allows us to assist you with logging into our online Customer Portal, completing your registration, managing your payment options, and helping you navigate documents and resources. The feedback so far has been terrific. Our representatives are more empowered to assist our members, and they are happy to be part of creating a better experience.

We are proud to elevate the service we provide and will continue to further build on these improvements in 2025. You can expect professional and caring service, faster and continued innovation of claims processing, and more personalized experience through our technological investments.



All of this is to be accomplished through our committed teams and input from you. We continue to look toward a bright future serving our members and are excited to keep you posted.

**2024 SERVICE BY THE NUMBERS**



493,353

**Total Calls Taken**  
*Customer Service & Claims*



7,672

**Claims Reported**  
*Non-CAT Related*



130

**CAT Volunteers**



86

**Net Promoter Score (NPS)**  
*Claims Service*

# Insurance Policy Review

Sometimes it seems as if the only thing in life that's certain is **CHANGE**. Because your insurance needs change over time, we recommend an annual policy review with your agent.

Whether you plan to remodel a room, upgrade your home's electronics, or your high school senior will be moving off to college soon, it's important that your *insurance policy includes the coverage you need*.

Since your agent is familiar with your individual coverage needs and risk tolerance, they can help ensure that your policy coverages best meet your current situation. As a reminder, damage caused by flooding is not covered by most homeowners policies.

If you don't already have a separate *flood policy*, be sure to ask your insurance agent for recommendations. Tower Hill offers private flood insurance statewide.



Here's a **CHECKLIST** to get the conversation started.

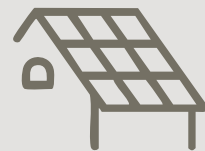
## *Here are some of the most common premium credits available.*

- Alarm Credit (burglary, fire or automatic sprinkler systems)
- Secured Community Credit
- Smart Water Detection System Credit
- Wind Mitigation Credit
- Age of Roof Credit

## *Have you recently or do you plan to... ?*

- Remodeled your kitchen or bathroom
- Purchased new appliances or electronics
- Purchased (or received) expensive items, such as jewelry or artwork
- Installed hurricane protection features, such as windows, storm shutters or garage doors
- Added a pool or other outdoor features, such as a gazebo
- Replaced your roof

**Depending on the changes you have made — or plan to make — to your home, you may also be eligible for premium discounts.**



## ***Has Your Roof Been Replaced?***

For older roofs, your policy may include the Windstorm or Hail Loss to Roof Surfacing Payment Schedule (RSPS) endorsement. When present, if you incur a loss caused by windstorm or hail, including a hurricane, payment is based on the roof payment scheduled at the time the loss occurred.

If your roof has been replaced recently, let your insurance agent know right away! Your agent can update your policy, and you may even be eligible for a premium credit for having a newer roof.

# Additional Coverage Options

Depending on your insurance policy, there are a range of options that may be available to personalize your coverages to best meet your individual needs. We've summarized some of the most popular options below.



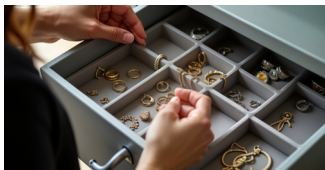
## CyberShield and CyberShield+

The package options include a range of coverages, including cyber attack, cyber extortion, data breach and online fraud.



## Identity Recovery Coverage

Pays for various out-of-pocket recovery expenses due to an identity theft. Provides a third-party case manager who is a licensed investigator.



## Emerald Packages

Our Emerald endorsement options provide a range of specialized coverages, from personal property, such as jewelry or collections, to additional liability limits.



## Equipment Breakdown

This coverage option offers an alternative to home warranty plans. Equipment Breakdown coverage protects you against unexpected repair or replacement costs due to an electrical or mechanical breakdown (i.e., appliances, HVAC system, etc.).



## Service Line

Most homeowners do not realize they are responsible for underground service lines from the street to their home. This coverage option provides protection for damage to underground piping or wiring that connects your home to a service provider.

## Deductibles & Coverage Limits

Of course, integral to the process is a review of your current deductibles, coverage limits and liability exposures. While choosing a higher deductible amount results in a lower premium, it also means a larger out-of-pocket expense if you experience property damage. It's recommended to review your deductible choices at each policy renewal.





# Home Inventory

These days there's an app for practically everything, including home inventories.

Making a home inventory is important, but it can definitely feel overwhelming to start from scratch. If you have to file an insurance claim, having details about your household property is key. As you're preparing for a policy review with your insurance agent, it's a perfect time to update your home inventory.

## HERE ARE SOME APPS TO TRY:

### ■ NAIC Home Inventory

Created by the National Association of Insurance Commissioners (NAIC), this app allows you to group your belongings by room and categories, plus you can easily add photos. It even features an option to scan bar codes for electronics.

<https://content.naic.org/consumer/home-inventory>

### ■ Itemtopia

With this handy app, you can track the location of items or even link them to specific family members. Also, you can customize fields and categories to organize your inventory as needed.

<https://www.itemtopia.com/>

### ■ HomeZada

Offering several popular plans to choose from, this app helps you personalize your inventory and estimate the value of your items. Options for including a preventative maintenance schedule and storing digital documents (i.e., warranties, receipts, owners manuals, etc.) are also available.

<https://www.homezada.com/>

*These apps are all available on the Apple App Store and Google Play.*



# Financial Metrics



## Financial Strength

### Demotech Rating

Demotech affirmed Exchange's Financial Stability Rating® (FSR) of A, Exceptional based on Exchange's positive surplus, the liquidity of the investment portfolio and the reasonableness of the loss reserves, among other factors.

### Kroll Bond Rating Agency (KBRA) Rating

KBRA affirmed Exchange's Insurance Financial Strength Rating (IFSR) of **BBB+, with a Stable Outlook** based on Exchange's strong operating model, sound capital position and conservative investment portfolio, among other factors.

Both ratings reflect Tower Hill's longstanding strength in the Florida market, the level of catastrophic reinsurance protection, and the continued operational support and underwriting expertise of Tower Hill's capital partners.

### Direct Written Premium

Direct Written Premiums increased by \$200.6 million or 21.9% from 2023 and reached \$1.1 billion. Exchange issued a \$95 million surplus note to provide capital support for this and additional anticipated growth in 2025. Exchange continues to provide underwriting capacity and flexibility to agents and customers in Florida.



## Subscriber Surplus Contributions

Surplus contributions are included with your policy premium and are a part of your membership in Exchange. Exchange was initially capitalized with surplus notes from capital partners, and your surplus contributions are critical in replacing these surplus notes over time, lowering Exchange's cost of capital, which allows the company to offer more competitively priced insurance to all members.

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*You are helping to grow Exchange and the capital available to pay future claims.*

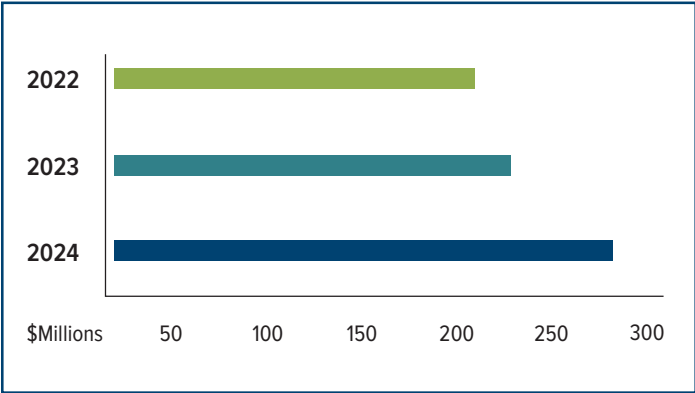
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Policyholder Surplus

Policyholder Surplus is a financial cushion that protects an insurance company’s policyholders in the event of unexpected or catastrophic losses. This number is an indicator of financial health and represents the capital available when an insurance company’s liabilities are subtracted from its assets.

In 2024, Exchange issued a new surplus note to external investors in anticipation of premium growth. This note coupled with surplus contributions from members, helped surplus to grow by 28%. The additional capital strengthens Exchange’s balance sheet, enables continued growth and builds the financial cushion that protects all Exchange members.

Policyholder Surplus



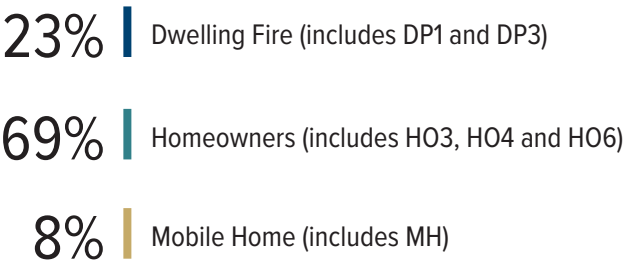
Exchange Investments  
(\$ in thousands)

Investment Mix	Percentage
Money Market Funds	54%
Investment Grade Corporate Bonds	20%
Mortgage Backed Securities	8%
U.S. Government	14%
Municipal Bonds	2%
Asset Backed Securities	1%
Cash	1%
Other	0%
Total Cash & Invested Assets	\$329,230



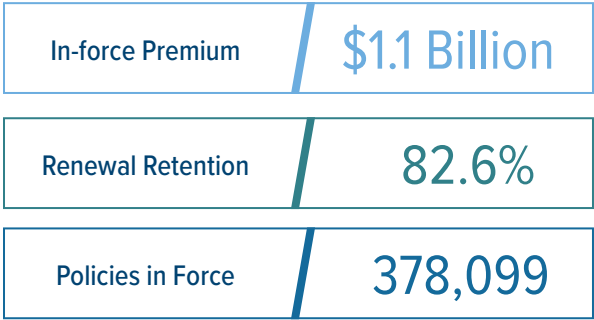
Snapshot View of Exchange  
Member Regions and Products\*

Policies in Force by Product



Total Insured Value (TIV) by Florida Region

Region	Percent
Southwest	27%
Central	30%
Southeast	19%
Northwest	14%
Northeast	10%



\*Data as of December 31, 2024



## BALANCE SHEET

(\$ in thousands)

<b>Tower Hill Insurance Exchange</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>Variance</b>
Total Cash & Invested Assets	329,230	297,889	31,341	11%
Net Accounts Receivable	162,207	155,135	7,072	5%
Other Assets	37,196	49,409	(12,213)	-25%
<b>Total Assets</b>	<b>528,633</b>	<b>502,433</b>	<b>26,200</b>	<b>5%</b>
Unpaid Loss & LAE	79,311	66,074	13,237	20%
Accounts Payable & Accrued	12,788	20,602	(7,814)	-38%
Unearned Premiums	(51,155)	25,178	(76,333)	-303%
Reinsurance Payable	184,466	155,117	29,349	19%
Other Current Liabilities	7,461	4,925	2,536	51%
<b>Total Liabilities</b>	<b>232,871</b>	<b>271,896</b>	<b>(39,025)</b>	<b>-14%</b>
Surplus Notes	297,541	205,000	92,541	45%
Member Surplus Contributions	255,059	144,053	111,006	77%
Subscriber Savings Accounts	-	-	-	****
Unassigned Surplus & Other	(256,838)	(118,516)	(138,322)	117%
<b>Surplus as Regards to Policyholders</b>	<b>\$295,762</b>	<b>\$230,537</b>	<b>\$65,225</b>	<b>28%</b>
<b>Total Liabilities &amp; Surplus</b>	<b>\$528,633</b>	<b>\$502,433</b>	<b>\$26,200</b>	<b>5%</b>

Tower Hill Insurance  
**Exchange**