

Tower Hill Insurance Exchange

QUARTERLY UPDATE

2023 | THIRD QUARTER

A Message from Our CEO

We hope this newsletter finds you well. As we're nearing the end of the Hurricane Season, there is a sigh of relief on behalf of all of us Floridians who live in this great state of ours. Nonetheless, we should never lose sight that Mother Nature can be unpredictable, and that is why we should always be prepared.

We did get hit with Hurricane Idalia this year, but its path resulted in less overall damage. However, it's not just hurricanes we need to be prepared for here in Florida. Our state normally sees severe convective storms (SCS) throughout the year that can often result in huge losses. Case in point, a single severe convective storm in April resulted in nearly \$50 million of damages for Tower Hill insureds alone.

As a member of our Tower Hill Insurance Exchange, you have made the right choice insuring your home with a well-capitalized insurance exchange. It is important when a loss occurs to know that your insurance company will be there to support you and help you in your time of need.

We all know how challenging the Florida homeowner's insurance marketplace has been. With the recent legislative changes, there are signs that the marketplace will stabilize. We are encouraged to

hear that a few more companies will enter the Florida market. This will help provide more capacity for consumers, but, as always, we caution every consumer to properly vet the options out there.

At Tower Hill, we've been in business for over 51 years in Florida. We understand this market, and we have always taken the right steps to make sure our members and policyholders are well taken care of. In fact, over the last 24 months, we've transformed Tower Hill into a Lean Six Sigma organization.

What this basically means is that we are looking at every process within our organization to make it that much more efficient, so we can deliver the highest quality customer experience to you.

Thank you again for your trust in us. We hope you enjoy the upcoming holiday season. We will be providing you with an extensive annual report in March to recap the year.

With much appreciation and Happy Holidays!

Kirk La



Quarterly Stats*

334,931

POLICIES IN FORCE

\$861M

IN-FORCE PREMIUM

*Results as of September 30, 2023.

The Role of Policyholder Surplus

Often referred to as an insurance company's savings account, policyholder surplus is simply assets minus the liabilities of a company. Of course, the primary liability for an insurance company is the amount reserved to pay claims of its policyholders and members.

When a loss or damage is reported by a member, our Claims team estimates the amount of funds to set aside for paying the claim. These funds are considered insurance reserves, which are reflected in the liabilities section of a company's balance sheet.

Insurers are required to maintain a specific amount of funds in surplus to ensure financial stability. Purchasing reinsurance for catastrophic and potentially high-volume losses, such as those resulting from Hurricane Ian, is also key to an insurer maintaining fiscal strength. When reinsurance does not cover the cost of a claim, policyholder surplus is the company asset used to settle losses.



Storm Seasons: 2022 and 2023

Hurricane Ian is now considered the costliest hurricane in Florida's history and the third costliest in the U.S. According to Property Claim Services (PCS), the estimated property damage insurance payments for Hurricane Ian were more than \$47 billion in Florida alone. For Hurricane Idalia, recent PCS estimates were approximately \$376 million* for property damage insurance payments in the state.

Although both storms had a devastating impact in some communities, the average losses per storm varied significantly. Tower Hill's reinsurance programs were quickly triggered for Ian due to the large number of losses and widespread severe damage.

Because Idalia struck Florida in areas less densely populated than the state's west coast in Ian, loss limits fell below the reinsurance program threshold.

Reinsurance Renewals

As we shared in our last quarterly update to Exchange members, we completed our Florida reinsurance program renewal prior to the June 1st deadline. Tower Hill secured nearly \$1.8 billion in catastrophe reinsurance cover to protect Exchange. Although reinsurance was available despite the tight market, the

purchase cost was considerable higher than in previous years. In reaction to the reinsurance rate increases, insurance premium rates are also increasing beginning with October 2023 policy renewals.



Third Quarter Wrap Up

As of September 30, 2023, Exchange remains strongly capitalized reporting over \$211 million in surplus and is well-positioned to service its existing members and achieve further growth.

Behind The Scenes: A Look Into The Eye Of The Storm With NOAA

In mid-July, a group of Tower Hill team members were invited by the National Oceanic and Atmospheric Administration (NOAA) to a behind-the-scenes tour of their Aircraft Operations Center in Lakeland, FL.

Situated on the edge of Lakeland Linder International Airport, the Aircraft Operations Center (AOC) serve as the home base for NOAA's fleet of nine crewed aircraft. Among these aircraft are NOAA's "Hurricane Hunters," which fly in, around, and through tropical cyclones to gather data vital to tracking and predicting a storm's path and intensity.

Tasked with flying through the dangerous eyewall of the hurricane, NOAA maintains two Lockheed WP-3D Orion (P-3's) four-engine turboprop aircraft known as "Miss Piggy" and "Kermit." The P-3s advanced GPS, radar, instrumentation, and dropsonde systems allow the aircraft to transmit data in real time to scientists and meteorologists.

NOAA's Gulfstream IV-SP (G-IV) twin-engine jet is designed to fly above hurricanes to measure conditions in the upper atmosphere above and around the storm. With a range of 4,000 miles and a cruising altitude of 45,000 feet, the G-IV's mission is to supplement the low-altitude data collected by the P-3s.



Members of the Tower Hill Claims team on the flight deck of "Miss Piggy," a WP-3D Orion. Requests to take the aircraft for a quick spin were politely declined.

NOAA also maintains a fleet of smaller twin-engine turboprops, including the Beechcraft King Air 350CER and De Havilland DHC-6-300 Twin Otter. These aircraft are used year-round for aerial imagery, remote sensing, coastal surveys, and various other research and emergency response programs.

Many thanks to the NOAA Air Operations Center for the warm welcome and incredible tour!



"Kermit" WP-3D Orion (P-3)



Beechcraft King Air 350CER



Gulfstream IV-SP (G-IV) twin-engine jet

Service Excellence: Our Commitment to You and Your Company

Tower Hill's half century of success has been made possible through a commitment to being there for our insureds and agency partners. In our 51st year of business, we focused our commitment to a renewed purpose and set of core values. Among them, Service Excellence stood out as a priority to carry out our mission for the next 50 years. Specifically, our commitment to deliver the highest quality experience, with ease, consistency, and care extends from the claims experience to every touchpoint and communication channel. This happens because of a collective sense of purpose from all teams interacting with our members on all fronts. Part of our value proposition is not only to be there for you when and where you need us – but to do so with excellence.

It starts with our people and culture.

Our employees embrace and live out our purpose. Many are long-standing employees with a deep connection to the company. As we add new team members, we hire those who embody our core values, and invest time and resources in them to ensure they know how to deliver great care to our members. They receive dedicated training in service excellence with a focus on what it means, why it is important, how to deliver it, and how we measure it.

Our management team is embarking on contact center-wide training, focused on knowledge and skill-building, so whomever you reach for help, you are greeted by and cared for with the level of empathy and excellence our members expect. In 2024, we will be improving and expanding our training efforts across the organization, engaging all teams to critically think about how their efforts make a difference, and to be actively engaged in discovering and executing service improvements.

Investing in technology and improving processes to deliver the best experience.

A key part of delivering on our promise is ensuring our systems are updated and processes are optimized. Times are changing quickly, and we are taking steps to ensure we have a solid foundation for the future.

Earlier this year, we made a significant investment in a new cloud-based call center platform that allows us to expand our service capability. As a first step, we launched our new phone system that enables us to respond to you more efficiently and effectively. From this, we will be able to enhance our communications by adding ways for you to reach us, responding to real-time feedback, and ultimately making it easier for you to do business with us.

We have also improved our online customer portal, making it more user-friendly with more capabilities and information relevant to you. Registering your account and opting in for paperless communications, text messaging, and claims updates are just some of the enhancements we have made available to you.

We are also focused on streamlining our claims processes and communications, so that you are compensated faster and receive prompt communications as updates occur. Multiple project teams have been deployed to tackle these areas, and the results are promising. Our 2023 year-to-date claims Net Promoter Score (NPS), a strong indicator of member satisfaction and loyalty, stands at 83%, up from last year and considered excellent for our industry. Third quarter NPS is at 84%, with September trending up, hitting a record 90%.

We invite you to be part of the excellence journey.

Continuous improvement is made possible through feedback from our members. We regularly gather insights through surveys and invite you to share your opinions and suggestions about ways we can improve our service delivery to you. Last quarter, we were happy to hear from hundreds of both new and long-time members and would be delighted to hear from more. We take pride in what we do, expect excellence from ourselves, and encourage you to help us continually improve your company.

Until then, wherever and whenever you need us, we will be there for you – serving with excellence.

Tell Us What You Think! Would you recommend us to your friends and colleagues? Is there something we could be doing better? Let us know by taking our [Member Care Survey](#).
