



2014 Annual Report to Land Trust Members

March 1, 2014 to March 1, 2015

On March 1, 2014 Terrafirma issued second year conservation defense liability insurance policies to 453 land trusts from 46 states and the District of Columbia covering over 6.7 million acres of conservation land. In its second full year of operations, Terrafirma maintained good standing with all regulators. All financial and regulatory annual filings for Terrafirma are on the website home page at www.terrafirma.org.

Terrafirma enhanced its financial stability in 2014. An independent actuary certified the reserves of \$881,130 as adequate and reasonable to meet Terrafirma's unpaid claims liabilities. Total market value of all Terrafirma assets as of December 31, 2014 was \$5,527,890 including positive cash flow from operations and capital of over \$4 million. Terrafirma's gross written premium increased approximately 7% from \$1,030,699 in 2013 to \$1,110,912 in 2014.

Terrafirma fulfilled its charitable mission of helping land trusts defend their conservation lands by handling 57 claims during the 2014 policy year (7 covered and active, 9 denied, 12 successfully resolved, and 29 on hold). Combined with the 38 claims handled in 2013 (7 covered and active; 10 denied; 19 successfully resolved; 2 remain on hold) Terrafirma has addressed 95 claims over the two policy years combined.

Covered claims frequency is consistent with feasibility projections. Covered claims severity is below expectations, however, 14 claims remain active with two highly contested. Claims trends follow historical trends including fee land and conservation easement trespass, vegetation removal, topography changes, minor unpermitted structures, unpermitted land divisions, and technical legal challenges such as partition proceedings and bankruptcy.

Risk management education and training is part of Terrafirma's loss prevention program in collaboration with the Land Trust Alliance to ensure that all land trusts uphold lasting conservation. For the 2014 policy year, 314 Terrafirma land trusts claimed \$20,141 in discounted premium for participating in risk management training which is 12% more land trusts than in 2013 and 23% more in total premium discounts.

Terrafirma land trust member-owners increased to 476 for the 2015 policy year and acres insured increased to 7,261,724 (95% under easement and 5% in fee). For the 2015 policy year, 100% of the 453 Terrafirma 2014 policy year member-owners confirmed continued eligibility and participation in Terrafirma. Conservation easements comprise the most insured rights with 21,594 (89%) of the enrolled 24,193 parcels. The remainder (11%) are fee properties (2,485), access easements (26), and trail easements (88). Extrapolating the 2010 census data for the current Terrafirma member land trusts shows that their portfolios plus those of self-insured organizations constitute 90% of all easement acres and 83% of all conservation easements. They also own 43% of fee parcels and 81% of fee acres.