

Best's Rating Report



GeoVeraSM
INSURANCE

GEOVERA INSURANCE COMPANY

Fairfield, California



A

Ultimate Parent:
Flexpoint Ultimate Mgmt II (Cayman) Ltd.
GEOVERA INSURANCE COMPANY

Mailing: 1455 Oliver Road, Fairfield, CA 94534

Tel: 800-324-6020

AMB#: 012075

Ultimate Parent#: 059563

Fax: 707-863-9342

NAIC#: 10799

FEIN#: 52-2029259

BEST'S CREDIT RATING

Best's Financial Strength Rating: A

Outlook: Stable

Best's Financial Size Category: VIII

RATING RATIONALE

Rating Rationale: The company is included as part of GeoVera Insurance Group due to its overall strategic importance within the group, as demonstrated by the inter-company reinsurance arrangement between the affiliated group members.

The following text is derived from A.M. Best's consolidated Credit Report on GeoVera Insurance Group (AMB# 088611).

The ratings and outlooks reflect GeoVera Insurance Group's (GeoVera) excellent risk-adjusted capitalization, favorable operating earnings history and management's experience in its market segments. These positive rating attributes are partially offset by the group's geographic concentration of business in catastrophe-prone areas, high gross catastrophe leverage and significant reinsurance dependence.

Profitable underwriting performance, combined with investment income generation, has resulted in solid operating results over the past five years, despite reflecting mild weakness over the past two. In addition, GeoVera maintains a moderate net underwriting leverage position due to prudent risk management efforts, which have further strengthened risk-adjusted capital. GeoVera's underwriting focus continues to capitalize on its experienced market knowledge in catastrophe-prone business segments.

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Although GeoVera concentrates all of its underwriting efforts on providing coverage in catastrophe-prone areas, it combines an established catastrophe-modeled and web-based quoting and binding system to ensure proper pricing with an extensive catastrophe reinsurance program to mitigate its exposure. However, the group maintains high gross catastrophe leverage and is significantly dependent on reinsurance to reduce this exposure to a manageable level on a net basis. Over the past five years, catastrophic losses have been generally benign benefiting results but reducing demand for earthquake insurance. This has permitted GeoVera to make sizable annual stockholder dividend payments to its parent, which has reduced surplus in response to lower exposures.

While the outlooks are stable, positive rating action may result from continued solid operating performance. In addition, operating earnings would have to compare even more favorably with the group's composite of personal property companies and similarly rated entities. The ratings/outlooks of the members of the group could be lowered if operating performance falls materially short of A.M. Best's expectations or if there is a significant deterioration in capital strength.

The ratings are based on the consolidation of Coastal Select Insurance Company (f.k.a. Pacific Select Property Insurance Company) and its GeoVera affiliates.

KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pre-tax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
2011	25,319	13,717	93,112	30,563	50.9
2012	24,595	11,767	88,238	29,807	53.7
2013	26,310	13,258	89,618	29,002	50.5
2014	26,491	13,165	88,249	29,283	54.1
2015	25,721	10,228	85,569	26,997	63.2

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

The following text is derived from A.M. Best's consolidated Credit Report on GeoVera Insurance Group (AMB# 088611).

The GeoVera Insurance Group consists of three U.S.-based insurance companies and one Cayman Island-based reinsurance company, GeoVera Reinsurance, Ltd., all of which are owned by a Bermuda-

based holding company. The three U.S.-based entities are GeoVera Insurance Company, Coastal Select Insurance Company (f.k.a. Pacific Select Property Insurance Company) and GeoVera Specialty Insurance Company. Effective November 1, 2005, these entities were acquired from St. Paul Travelers Companies, Inc., by an affiliate of private equity investors, Friedman Fleischer & Lowe, LLC and Hellman & Friedman, LLC. On August 8, 2012, the GeoVera Insurance Group was acquired by Flexpoint Ford, LLC. GeoVera Security Insurance Company, a former member of the group, was dissolved on May 21, 2013. GeoVera Re, Ltd. was liquidated in mid-2014.

An inter-company pooling agreement is in place among the three U.S.-based entities, with Coastal Select Insurance Company acting as the lead company in the pool. Sixty percent of the results before pooling are assumed by the Cayman Island-based reinsurance operating company, GeoVera Reinsurance, Ltd., through a quota-share reinsurance agreement. The rating is assigned on a group basis for all four operating entities. The group focuses on underwriting catastrophe-exposed residential property risks, primarily in California, Florida, Texas, Louisiana, Washington, Alabama, South Carolina and Hawaii. The group's current mix of business is approximately 58% (gross written premium) homeowners and 42% residential earthquake coverage. Homeowners business is primarily on a non-admitted basis in Alabama, Florida, Louisiana, South Carolina and Texas. Business is distributed through long-standing wholesale surplus lines brokerages. Residential earthquake business is on an admitted basis in California, Oregon and Washington, and is distributed through a network of approximately 3,600 independent brokers and agents plus direct channels.

Territory: The company is licensed in the District of Columbia, AL, AK, AZ, AR, CA, CO, DE, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NJ, ND, OK, OR, PA, RI, SC, SD, TX, UT, VT, VA, WA, WV, WI and WY.

Business Trends: The group is pursuing and experiencing growth in its southeastern homeowners and single peril wind products book partially offsetting the continued slow decline in California earthquake premium.

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2015 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance —Prem Assumed—	
	(\$000)	(%)	(\$000)	(%)
Homeowners	13,246	51.5
Earthquake	102,709	91.1	9,538	37.1
Allied Lines	9,487	8.4	2,707	10.5
All Other	574	0.5	231	0.9
Total	112,770	100.0	25,721	100.0

Product Line	Reinsurance —Prem Ceded—		—NPW—		Business Retention (%)
	(\$000)	(%)	(\$000)	(%)	
Homeowners	13,246	51.5	100.0
Earthquake	102,709	91.1	9,538	37.1	9.3
Allied Lines	9,487	8.4	2,707	10.5	28.5
All Other	574	0.5	231	0.9	40.2
Total	112,770	100.0	25,721	100.0	22.8

HISTORY

The company was incorporated in Maryland on March 24, 1997 as USF&G Insurance Company of California and began business on April 1, 1997. On July 24, 1997, the company changed its name to GeoVera Insurance Company. The company re-domesticated to California on January 1, 2007. The company offers residential earthquake primarily on an admitted basis in California.

MANAGEMENT

Officers: Chairman of the Board and President, Kevin Nish; Senior Vice President and Chief Financial Officer, Brian Sheekey; Senior Vice President, Secretary and Chief Operating Officer, Karen Padovese; Senior Vice President, Nesrin Basoz; Vice President and Treasurer, Thomas Hanzel; Vice President and General Counsel, Robert Hagedorn; Vice President, Frank Albertson.

Directors: Thomas Hanzel, Kevin Nish, Karen Padovese, Brian Sheekey.

Balance Sheet Admitted Assets (\$000)

	YE 2015	%
Bonds	\$34,847	40.7
Cash and short-term invest	19,147	22.4
Other non-affil inv asset	3	0.0
Investments in affiliates	<u>3,662</u>	<u>4.3</u>
Total invested assets	\$57,658	67.4
Premium balances	21,377	25.0
Accrued interest	184	0.2
All other assets	<u>6,350</u>	<u>7.4</u>
Total assets	\$85,569	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 5,410	6.3
Unearned premiums	19,360	22.6
All other liabilities	<u>33,801</u>	<u>39.5</u>
Total liabilities	\$58,572	68.4
Capital & assigned surplus	15,000	17.5
Unassigned surplus	<u>11,997</u>	<u>14.0</u>
Total policyholders' surplus	\$26,997	31.6
Total liabilities & surplus	\$85,569	100.0

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Why is this *Best's*[®] Rating Report important to you?

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.

A Best's Financial Strength Rating (FSR) is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR 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. An FSR 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.

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