Best's Rating Report

GeoVera Insurance Company

1455 Oliver Road, Fairfield, California, United States 94534

AMB #: 012075	**NAIC #:** 10799	**FEIN#:** 52-2029259
Phone: 800-324-6020	**Fax:** 707-863-9342	**Website:** N/A

Financial Strength Rating
A Excellent

GeoVera Insurance Company

Disclosure Information: View A.M. Best's Rating Disclosure Form

Ultimate Parent: 059563 - Flexpoint Ultimate Management II (Cayman), Ltd.

A.M. Best Rating Unit: 088611 - GeoVera Insurance Group

Best's Credit Ratings:

Rating Effective Date: January 31, 2018

Best's Financial Strength Rating:	A	**Outlook:**	Stable	**Action:**	Affirmed
Best's Issuer Credit Rating:	a	**Outlook:**	Stable	**Action:**	Affirmed

Last Five Rating Events:

	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
Date	**Rating**	**Outlook**	**Action**	**Rating**	**Outlook**	**Action**
01/31/2018	A	Stable	Affirmed	a	Stable	Affirmed
11/16/2016	A	Stable	Affirmed	a	Stable	Affirmed
06/05/2015	A	Stable	Affirmed	a	Stable	Affirmed
06/12/2014	A	Stable	Affirmed	a	Stable	Affirmed
06/14/2013	A	Stable	Affirmed	a	Stable	Affirmed

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 Best's Insurance Report on GeoVera Insurance Group (AMB# 088611):

Balance Sheet Strength: Very Strong

- The rating unit has the strongest Best's Capital Adequacy Ratio (BCAR) score, although its surplus has generally declined since 2011 as profits considered as excess capital are distributed to shareholders annually. Its quality of capital and ALM are also very strong. It has an appropriate and diverse reinsurance program. Any additional analytical factors are in line with an assessment of very strong.
- The group's available capital is considered to be at the strongest level as measured by BCAR. However, given the nature of its business, GeoVera's balance sheet may be subject to higher than expected calls on capital and liquidity depending on catastrophic loss frequency and severity. GeoVera maintains an appropriate and diverse reinsurance program for its given risk appetite.
- Management contributed $10 million of capital in the fourth quarter of 2017 to bolster capital in support of growth initiatives and to offset multiple catastrophic event losses experienced since September 2017.
- The group prudently defends its balance sheet with a reinsurance program covering a modeled 250-year all-perils event. However, higher than expected frequency and/or certain extreme "tail" events related to wind and earthquake could potentially constrain capital and liquidity.

Operating Performance: Strong

- Historical operating performance is strong and consistent. Prospective operating performance is expected to remain strong, including forecast catastrophe loads. Volatility of key metrics is relatively low to moderate.
- GeoVera has potentially higher than average earnings volatility given its significant property business orientation and its inherent risk exposure to catastrophes. However, "normalized" earnings (absent severe changes in loss and frequency and severity) in 2018 are expected to produce returns in line with shareholder expectations.
- Revenues are expected to continue to grow in 2018 due to expansion initiatives introduced in 2015. Further scaling of the business should help lower the overall expense ratio.
- While soft reinsurance pricing has been beneficial to GeoVera, high reinsurance dependence leaves the group somewhat susceptible to changes in reinsurance pricing and conditions.
- The group posted weaker than expected underwriting and operating results in 2017 due to hurricanes Harvey and Irma.

Business Profile: Neutral

- The company is not a market leader but is viewed as competitive in chosen markets. It has some concentration and limited control of distribution. It has elevated product risk but a strong management team that has proven capable of managing severity and frequency of loss through its forms. Its use of technology is evolving, and its business spread of risk is adequate.
- 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 51% (of 2016 gross written premium) homeowners, 36% residential earthquake coverage, and 13% wind-only.
- Management is diversifying the group's business profile away from its prior concentration in California earthquake exposure through increased Washington and Oregon earthquake coverage; southeastern homeowners, insurance, and recent expansion into the Northeast through non-admitted offerings while admitted products await approval. The company is also gaining acceptance of a single-peril wind product through national carrier partnerships and pricing granularity.
- GeoVera 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.

Enterprise Risk Management: Appropriate

- The insurer's ERM framework is well developed and/or adequate given the size and complexity of its operations. Risk management capabilities are very good and are well aligned with the risk profile of the company.
- GeoVera's biggest risk is its susceptibility to a severe earthquake event, somewhat offset by a more diversified, non-correlated portfolio and strong reinsurance program and favorable surplus position.
- GeoVera's underwriting, investment and market risks are offset by its solid capital structure and highly experienced senior management team.
- GeoVera has moderate to high underwriting risk, with its products in personal lines homeowners and earthquake coverages concentrated in California, Florida and Texas.
- The company has an experienced, knowledgeable, and hands-on management team.

Outlook

The stable outlooks reflect A.M. Best's expectation that GeoVera will continue to maintain the strongest risk-adjusted capitalization as measured by BCAR, weighing dividends against its operating performance and prospective business planning in its capital management, while continuing to generate strong underwriting and operational results.

Rating Drivers

Positive rating action may result from continued solid operating performance that would have to compare even more favorably with the group's composite of personal property companies and similarly rated entities.

Negative rating action may result from operating performance that falls materially short of A.M. Best's expectations.

Negative rating action may result from a significant deterioration in capital strength.

Financial Statements:

Balance Sheet:

Balance Sheet:

Admitted Assets	Year End - December 31			
	2016 ($000)	2015 ($000)	2016 (%)	2015 (%)
Bonds	33,530	34,847	36.9	40.7
Preferred Stock	...	...	...	...
Common Stock	...	...	...	...
Cash and Short-term Invest	27,199	19,147	29.9	22.4
Real estate, investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	6	3	...	...
Investments in Affiliates	...	3,662	...	4.3
Real Estate, Offices	...	...	...	...
Total Invested Assets	60,735	57,658	66.9	67.4
Premium Balances	23,017	21,377	25.3	25.0
Accrued Interest	159	184	0.2	0.2
All Other Assets	6,927	6,350	7.6	7.4
Total Assets	90,839	85,569	100.0	100.0

Liabilities & Surplus	Year End - December 31			
	2016 ($000)	2015 ($000)	2016 (%)	2015 (%)
Loss and LAE Reserves	7,102	5,410	7.8	6.3
Unearned Premiums	23,130	19,360	25.5	22.6
Derivatives	...	...	...	...
Conditional Reserve Funds	...	...	...	...
All Other Liabilities	35,555	33,801	39.1	39.5
Total Liabilities	65,787	58,572	72.4	68.4
Surplus notes	...	...	...	...
Capital and Assigned Surplus	15,000	15,000	16.5	17.5
Unassigned Surplus	10,052	11,997	11.1	14.0
Total Policyholders' Surplus	25,052	26,997	27.6	31.6
Total Liabilities and Surplus	90,839	85,569	100.0	100.0

Source: Bestlink - Best's Statement File - P/C, US

Company History:

Date Incorporated: 03/24/1997 **Date Commenced:** 04/01/1997 **Domicile:** United States: California

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.

Company Management:

Last significant update on 02/05/2015

Officers

Chairman of the Board and President: Kevin Nish
SVP and CFO: Brian Sheekey
SVP, Secretary and COO: Karen Padovese
SVP: 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

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