

Best's Rating Report



GEOVERA INSURANCE COMPANY

Fairfield, California



A-

Ultimate Parent:
GeoVera Insurance Group Holdings, Ltd.
GEOVERA INSURANCE COMPANY
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AMB#: 012075

NAIC#: 10799

Ultimate Parent#: 051266

FEIN#: 52-2029259

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the property/casualty members of GeoVera Insurance Group, which operate under a group structure, each group member is assigned a Best's Financial Strength Rating of A- (Excellent). The company is assigned the Financial Size Category of Class VIII, which is the Financial Size Category of the group.

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 its inclusion in an inter-company pooling agreement with its U.S. domiciled affiliated group members. Also, the company shares all the same operational infrastructure with its affiliated group members.

The following text is derived from the report of GeoVera Insurance Group.

The ratings and outlook reflect GeoVera Insurance Group's excellent capitalization, moderate underwriting leverage and management's experience in its market segment. Partially offsetting these positive characteristics is the geographic concentration of business in catastro-

phe-prone areas, high gross catastrophe leverage and significant reinsurance dependence.

Profitable underwriting performance, combined with solid investment income and underwriting fee income, have resulted in strong five-year operating earnings. In addition, the group maintains a moderate underwriting leverage position due to prudent risk-management efforts, which have further strengthened risk-adjusted capital. The group's core management team, which has historically produced profitable results for the companies under the previous organization, continues to provide experienced market knowledge in its catastrophe-prone business segment.

Although the group 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. Furthermore, the group has made significant stockholder dividend payments to its parent in recent years, which has resulted in a decline in surplus and higher underwriting leverage.

The rating is based on the consolidation of Pacific Select Property Insurance Company, GeoVera Insurance Company, GeoVera Specialty Insurance Company, GeoVera Security Insurance Company and GeoVera Re Ltd.

Best's Financial Strength Rating: A- g

Outlook: Positive

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KEY FINANCIAL INDICATORS (\$000)

| Year | Net Premiums Written | Pretax Operating Income | Total Admitted Assets | Policy- holders' Surplus | Comb. Ratio |
|------|----------------------------|-------------------------------|-----------------------------|--------------------------------|----------------|
| 2005 | 29,222 | 13,976 | 75,647 | 44,310 | 15.9 |
| 2006 | 31,586 | 9,022 | 113,060 | 47,461 | 78.6 |
| 2007 | 18,333 | 16,363 | 117,105 | 53,566 | 75.6 |
| 2008 | 25,923 | 8,373 | 103,173 | 33,317 | 81.1 |
| 2009 | 26,523 | 9,316 | 98,155 | 27,441 | 71.8 |

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

BUSINESS REVIEW

The following text is derived from the report of GeoVera Insurance Group.

The GeoVera Insurance Group consists of four U.S.-based insurance companies and one Bermuda-based reinsurance company, GeoVera Re, Ltd., all of which are owned by a Bermuda-based holding company. The four U.S.-based entities are GeoVera Insurance Company, Pacific Select Property Insurance Company, GeoVera Specialty Insurance Company and GeoVera Security Insurance Company. Effective November 1, 2005, the first three of the four U.S.-based entities were acquired from St. Paul Travelers Companies, Inc., by an affiliate of private equity investors, Friedman Fleischer & Lowe, LLC and Hellman & Friedman, LLC.

An inter-company pooling agreement is in place amongst the four U.S.-based entities, with Pacific Select Property Insurance Company acting as the lead company in the pool. Sixty percent of the results before pooling, revised from fifty percent on March 1, 2007, are assumed by the Bermuda-based reinsurance operating company, GeoVera Re, Ltd., through a quota-share reinsurance agreement. The rating is assigned on a group basis for all five operating entities. The group focuses on underwriting catastrophe-exposed residential property risks, primarily in California, Florida, Texas, Alabama, Louisiana, Washington and South Carolina. The group's current mix of business is 52% homeowners and 48% residential earthquake coverage. Homeowners business is primarily on a non-admitted basis in Florida, Texas, Alabama, Louisiana and South Carolina. Business is distributed through long-standing wholesale surplus lines brokerages. Residential earthquake business is primarily on an admitted basis in California, Washington and Oregon, and is distributed through a network of approximately 5,100 independent brokers and agents. Texas admitted homeowners business and non-coastal surplus lines homeowners business are currently in run-off. Surplus lines homeowners business is also in run-off in Kansas, Oklahoma, Missouri and Arkansas.

GeoVera Security Insurance Company is a property and casualty insurance company domiciled in the state of Arizona, a wholly owned subsidiary of Pacific Select Property Insurance Company and a member of GeoVera Insurance Group. The company was incorporated on October 2, 2007 and received its certificate of authority from the state of Arizona on May 6, 2008. The company plans to begin writing non-admitted earthquake business in 2010 and is a member of GeoVera Insurance Group's inter-company pooling agreement.

2009 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

| Product Line | —Premiums Written— | | % of Total NPW | Pure Loss Ratio | Loss & LAE Res. |
|--------------|--------------------|--------|----------------------|-----------------------|-----------------------|
| | Direct | Net | | | |
| Homeowners | 23,438 | 16,628 | 62.7 | 54.2 | 6,781 |
| Earthquake | 111,693 | 9,614 | 36.2 | 0.3 | 39 |
| All Other | 679 | 281 | 1.1 | 143.7 | 222 |
| Totals | 135,811 | 26,523 | 100.0 | 35.3 | 7,042 |

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 M. Nish; Senior Vice President and Chief Financial Officer, Brian Sheekey; Senior Vice President, Secretary and General Counsel, Michael Zukerman; Senior Vice Presidents, Nesrin Basoz, Karen Padovese; Vice President and Treasurer, Thomas Hanzel; Vice President, Frank Albertson.

Directors: Kevin M. Nish, Karen M. Padovese, Brian Sheekey, Michael Zukerman.

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, MI, MN, MS, MO, MT, NE, NV, NJ, ND, OK, OR, PA, RI, SC, SD, TX, UT, VT, VA, WA, WV, WI and WY.

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| Balance Sheet | | |
|------------------------------------|------------|-------|
| Admitted Assets (\$000) | | |
| | 12/31/2009 | % |
| Bonds | \$48,096 | 49.0 |
| Cash & short-term invest | 11,322 | 11.5 |
| Other non-affil inv asset | 34 | 0.0 |
| Total invested assets | \$59,453 | 60.6 |
| Premium balances | 22,774 | 23.2 |
| Accrued interest | 482 | 0.5 |
| All other assets | 15,446 | 15.7 |
| Total assets | \$98,155 | 100.0 |
| Liabilities & Surplus (\$000) | | |
| Loss & LAE reserves | \$ 7,042 | 7.2 |
| Unearned premiums | 19,200 | 19.6 |
| All other liabilities | 44,472 | 45.3 |
| Total liabilities | \$70,714 | 72.0 |
| Capital & assigned surplus | 15,000 | 15.3 |
| Unassigned surplus | 12,441 | 12.7 |
| Total policyholders' surplus | \$27,441 | 28.0 |
| Total liabilities & surplus | \$98,155 | 100.0 |

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

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

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. The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating 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. A Financial Strength Rating 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.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

Secure Best's Ratings

| | |
|------------|-----------|
| A++ and A+ | Superior |
| A and A- | Excellent |
| B++ and B+ | Good |

Vulnerable Best's Ratings

| | |
|------------|------------------------------|
| B and B- | Fair |
| C++ and C+ | Marginal |
| C and C- | Weak |
| D | Poor |
| E | Under Regulatory Supervision |
| F | In Liquidation |
| S | Rating Suspended |

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