

Best's Rating Report



GEOVERA INSURANCE COMPANY

Fairfield, California



Ultimate Parent:
Hellman & Friedman Investors V (KY) Ltd
GEOVERA INSURANCE COMPANY
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Ultimate Parent#: 055893

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 the inter-company reinsurance arrangement between the affiliated group members.

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

The rating and outlook reflect GeoVera Insurance Group's (GeoVera) excellent risk-adjusted capitalization, favorable operating earnings 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 solid investment income, has resulted in strong operating earnings in each of the past five years. 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.

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. Furthermore, GeoVera has made sizable annual stockholder dividend payments to its parent, which negatively impacted surplus growth in two of the past five years.

The rating is based on the consolidation of Pacific Select Property Insurance Company and its GeoVera affiliates.

Best's Financial Strength Rating: A g

Outlook: Stable

KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policyholders' Surplus	Comb. Ratio
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
2010	27,819	12,047	93,626	30,973	64.7

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

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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, Alabama, Texas, Louisiana, Washington and South Carolina. The group's current mix of business is 51% homeowners and 49% 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 primarily on an admitted basis in California, Oregon and Washington, and is distributed through a network of approximately 5,100 independent brokers and agents plus direct channels. 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.

2010 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Homeowners	1,528	15,448	55.5	46.4	7,702
Earthquake	107,992	11,842	42.6	0.0	41
All Other	650	529	1.9	37.0	177
Totals	110,170	27,819	100.0	27.2	7,920

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.

Balance Sheet Admitted Assets (\$000)

	12/31/2010	%
Bonds	\$49,553	52.9
Cash & short-term invest	13,572	14.5
Other non-affil inv asset	83	0.1
Total invested assets	\$63,208	67.5
Premium balances	20,569	22.0
Accrued interest	392	0.4
All other assets	9,457	10.1
Total assets	\$93,626	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 7,920	8.5
Unearned premiums	18,558	19.8
All other liabilities	36,176	38.6
Total liabilities	\$62,654	66.9
Capital & assigned surplus	15,000	16.0
Unassigned surplus	15,973	17.1
Total policyholders' surplus	\$30,973	33.1
Total liabilities & surplus	\$93,626	100.0

Best's Rating Report



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 Best's Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance 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 an 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 Best's 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 Financial Strength Rating is assigned after a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

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

Secure Best's Financial Strength Ratings

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

Vulnerable Best's Financial Strength 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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