

# BEST'S RATING REPORT



## GeoVera Insurance Company

1455 Oliver Road, Fairfield, California, United States 94534

**AMB #:** 012075

**NAIC #:** 10799

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# 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: February 28, 2019

<b>Best's Financial Strength Rating:</b>	A	<b>Outlook:</b>	Stable	<b>Action:</b>	Affirmed
<b>Best's Issuer Credit Rating:</b>	a	<b>Outlook:</b>	Stable	<b>Action:</b>	Affirmed

## Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
02/28/2019	A	Stable	Affirmed	a	Stable	Affirmed
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

## Rating Rationale:

GeoVera Insurance Company is a member of the GeoVera Insurance Group rating unit reflecting its overall strategic importance within the group, as demonstrated by the intercompany reinsurance arrangement between the affiliated group members.

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

### Balance Sheet Strength: Very Strong

- The group's available capital is considered to be at the strongest level as measured by Best's Capital Adequacy Ratio (BCAR) score, although its surplus has generally declined since 2011 as profits considered as excess capital have been distributed to shareholders annually. Its quality of capital and asset/liability management (ALM) are also very strong.
- 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. The group has exposure to certain extreme "tail" events related to wind and earthquake.
- 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 preserves its balance sheet through guidelines to cover in excess of a 250-year modeled all perils event. The current multi-year program covers a modeled 275-year all peril event. AM Best considers its program appropriate for its given risk appetite.

### 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.
- The group posted weaker than expected underwriting and operating results in both 2018 and 2017 due to abnormally high, but manageable, catastrophe activity.

- GeoVera has potentially higher than average earnings volatility given its significant property business orientation and its inherent risk exposure to catastrophes. "Normalized" earnings (absent severe changes in loss and frequency and severity) are expected to produce returns in line with shareholder expectations.
- Revenues are expected to stabilize in 2019 after expansion initiatives introduced in 2015 subside. Further scaling of the business should help lower the overall expense ratio, which is significantly higher than that of peers.
- While soft reinsurance pricing has been beneficial to GeoVera, high reinsurance dependence leaves the group somewhat susceptible to changes in reinsurance pricing and conditions.

## 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 policy 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 53% (of 2018 gross written premium) homeowners, 28% residential earthquake coverage, and 18% 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, as well as 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 appropriate 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 individual risk is its susceptibility to a severe continental US hurricane event with surge. Combined all peril PMLs are high in the course of its normal business, but management has diversified its book to minimize correlation geographically and by products, and risks are further mitigated by a strong reinsurance program and favorable surplus position.
- The group's reinsurance strategy endeavors to preserve capital in excess of 250-year combined all perils VaR. Current market conditions and models in 2019 resulted in the purchase of 275-year combined all perils VaR coverage with retention decreasing to \$19 million from \$25 million. Individual, uncorrelated perils are covered for return periods of 500 to 1,000 years.
- GeoVera's underwriting, investment and market risks are readily manageable by its solid capital structure and highly experienced, knowledgeable, and hands-on 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.

## Outlook

The stable outlooks reflect AM 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 improving risk-adjusted capitalization driven by continued solid operating performance that compares 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 AM 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			
	2017 (\$000)	2016 (\$000)	2017 (%)	2016 (%)
Bonds	47,752	33,530	51.6	36.9
Preferred Stock	...	...	...	...
Common Stock	...	...	...	...
Cash and Short-term Invest	17,970	27,199	19.4	29.9
Real Estate, Investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	6	6	...	...
Investments in Affiliates	...	...	...	...
Real Estate, Offices	...	...	...	...
<b>Total Invested Assets</b>	<b>65,729</b>	<b>60,735</b>	<b>71.0</b>	<b>66.9</b>
Premium Balances	18,827	23,017	20.3	25.3
Accrued Interest	195	159	0.2	0.2
All Other Assets	7,855	6,927	8.5	7.6
<b>Total Assets</b>	<b>92,606</b>	<b>90,839</b>	<b>100.0</b>	<b>100.0</b>
<b>Liabilities &amp; Surplus</b>	<b>Year End - December 31</b>			
	<b>2017 (\$000)</b>	<b>2016 (\$000)</b>	<b>2017 (%)</b>	<b>2016 (%)</b>
Loss and LAE Reserves	8,660	7,102	9.4	7.8
Unearned Premiums	27,207	23,130	29.4	25.5
Derivatives	...	...	...	...
Conditional Reserve Funds	...	...	...	...
All Other Liabilities	32,685	35,555	35.3	39.1
<b>Total Liabilities</b>	<b>68,551</b>	<b>65,787</b>	<b>74.0</b>	<b>72.4</b>
Surplus notes	...	...	...	...
Capital and Assigned Surplus	15,000	15,000	16.2	16.5
Unassigned Surplus	9,054	10,052	9.8	11.1
<b>Total Policyholders' Surplus</b>	<b>24,054</b>	<b>25,052</b>	<b>26.0</b>	<b>27.6</b>
<b>Total Liabilities and Surplus</b>	<b>92,606</b>	<b>90,839</b>	<b>100.0</b>	<b>100.0</b>

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 04/23/2019

### Officers

**President:** Kevin Nish

**Chief Underwriting Officer and Chief Risk Officer:** Nesrin Basoz

**SVP and CFO:** Brian Sheekey

**SVP, Secretary and COO:** Karen Padovese

**Vice President and General Counsel:** Robert Hagedorn

**Director:** Vida Loya (Accounting)

### Directors

Nesrin Basoz

Robert Hagedorn

Vida Loya

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