



A- (Excellent) VII
for Topa Insurance Company

A- (Excellent) IV
for Dorchester Insurance Company



Rating Category (Excellent): Assigned to companies which have, on balance, excellent financial strength, operating performance and market profile when compared to the standards established by the A.M. Best Company. These companies, in our opinion, have a strong ability to meet their ongoing obligations to policyholders. – AM BEST



A.M. Best has completed its evaluation of Topa Insurance Company and Dorchester Insurance Company for 2011 and affirmed a rating of **A- (Excellent)** for both companies with a **stable outlook**.

Topa Insurance Group:

The rating is based on the consolidated operating performance and financial condition of Topa Insurance Company and its separately rated wholly owned subsidiary, Dorchester Insurance Company, Ltd. The rating reflects the group's solid capitalization, sustained operating profitability, underwriting discipline, prudent loss reserving practices and controlled distribution platform. Offsetting these positive rating factors the group's elevated expense structure, geographic concentration within California and the prevailing competitive and economic conditions. The rating outlook is based on the group's proven cycle management capabilities, expense reduction initiatives and recent geographic expansion objectives.

The group is comprised of specialty underwriter companies that operate with an excess and surplus lines mind-set. Therefore, underwriting discipline is critical, and has lead to the non renewal of underpriced business. To insulate earnings and surplus from shock loss volatility, the group actively manages exposure to catastrophe perils through limited property writings, reinsurance, and specific policy language. The group has also committed to exercising greater control over the distribution network by investing in agency operations. The affiliated agencies have become a larger, more predictable source of premium and underwriting profit, and now account for 33% of the group's gross premium. As high unemployment, a weak economy, and increased competition have plagued the California market, the agencies have been a key driver in growth outside of California. In addition, management has implemented a number of strategic initiatives in recent years to improve profitability that have included rate adjustments, tightened underwriting guidelines, new technology systems, and the discontinuance of unprofitable agencies and lines of business. The group's parent, Topa Equities, Ltd., also provides operational and financial support through its various operating subsidiaries and multiple revenue streams.

Dorchester Insurance Company:

The rating reflects Dorchester Insurance Company's (Dorchester) excellent capitalization, sustained profitability, and extensive local market knowledge. These positive rating factors are offset by the company's business concentration within the catastrophe prone Caribbean which exposes it to significant gross catastrophe losses, its resulting dependence on reinsurance, and elevated expense structure. In addition, the absence of significant catastrophe events in recent years, market conditions remain quite competitive. The rating outlook is based up the expectation of continued operating profitability and the maintenance of capitalization levels that are commensurate with the current rating.

Dorchester is the dominant domestic insurer in the U.S. Virgin Islands, where it offers both commercial and personal lines coverages. The rating recognizes management's aggressive efforts to shield the company's earnings and surplus from catastrophic losses by limiting property writings opting instead to increase writing in short tail liability business, and maintaining a comprehensive reinsurance program. This strategy has been successful with all hurricane losses contained within the net retention and property reinsurance programs since the company's inception. The rating further considers Dorchester's controlled distribution sources, and locally knowledgeable and experienced underwriters which provide it with a competitive advantage in terms of quality of risk, renewal retention and frontline underwriting integrity. Finally, the rating acknowledges the financial and operational support received from its immediate parent, Topa Insurance Company.

June 30, 2011