



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 2009 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, prudent loss reserving practices and diversified product offerings. These positive rating factors are partially offset by the group's high equity exposure, elevated expense structure and geographic concentration within California. The rating also recognizes the decrease in surplus in 2008 and through the first quarter of 2009 due to the decline in the equity markets. The rating outlook is based upon the expectation for continued operating profitability and the maintenance of capitalization levels that are commensurate with the current rating.

The group's positive rating factors are derived from management's expertise in taking advantage of market dislocations, moderate underwriting leverage and catastrophe mitigation strategies that insulate earnings and surplus from shock loss volatility. The rating also reflects the close monitoring of aggregate property exposures and the group's controlled distribution platform. 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 financial support through its various operating subsidiaries and multiple revenue streams.

Dorchester Insurance Company:

The rating reflects Dorchester Insurance Company's (Dorchester) excellent capitalization, solid operating performance and extensive local market knowledge. These positive rating factors are offset by the company's business concentration within one geographic territory, significant gross catastrophe exposure, dependence on reinsurance and elevated expense structure. The rating outlook is based upon the expectation for continued operating profitability and the maintenance of capitalization levels that are commensurate with the current rating.

The rating reflects management's aggressive efforts to shield the company's earnings and surplus from catastrophic losses by limiting property writings 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 effective and controlled distribution sources, 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.

May 21, 2009