

March 10, 2009

To the Policyholders of Greater New York Mutual Insurance Company

It is a privilege to deliver my eighth Annual Report to the Policyholders of Greater New York Mutual Insurance Company and its wholly owned stock subsidiaries, Insurance Company of Greater New York, Strathmore Insurance Company, and GNY Custom Insurance Company.

I am pleased to report that 2008 was another very successful year for our four companies in which we reported profitable combined ratios, excellent underwriting and stable investment returns, and a noteworthy increase in policyholders' surplus.

This is in contrast with the insurance industry which had one of the most punishing and destructive years in its history. The property and casualty industry reported a combined ratio of 104.7%, a loss of surplus of \$52.9 billion, and a fall in net income of 80%. No one could have anticipated the destructive financial meltdown that battered our economy in the fourth quarter of 2008, and while no insurance company could be completely immune to the numerous industry problems last year, our companies weathered that storm virtually unscathed.

Against this background of almost unrelieved disaster, I can report with understandable pride that 2008 represents the sixth successive year that our Companies reported a combined ratio under 100%. Our superior performance is unquestionably attributed to our strict underwriting and reserving discipline, the careful and conservative philosophy under which our companies have been managed, and our risk management process that places a heavy focus on the preservation of capital.

We posted exceptional pre-tax income of \$43.8 million that was the second highest pre-tax income in our history, and totaled \$221.7 million in the last eight calendar years.

Admitted assets of \$895.6 million, net of unsettled trades, increased 1.7% and grew by \$458.0 million over the last eight years.

It is also a source of satisfaction, that we were able to increase our surplus in 2008 to its highest level ever at \$357.1 million, an increase of \$33.6 million or 10.1% over our surplus in 2007, and an increase of \$159.7 million over the last eight years.

In 2008 we continued our diversification strategy and began doing business for the first time in Michigan, Ohio and Indiana, and continued our growth in the new territories, Pennsylvania, Maryland, Washington D. C.,

Massachusetts, New Hampshire, Rhode Island, upstate New York, Illinois, Maryland, Delaware and Virginia, that we began serving less than five years ago. We are pleased to report that these new territories accounted for \$53 million in revenues last year.

Other notable financial and operational details in 2008 were:

1. Net income at \$33.0 million was only slightly off from the 2007 level of \$34.1 million and is the second highest in our history.
2. We continued our planned reduction in our workers' compensation writings, which declined an additional 49.2% in 2008 and now represents only 2.8% of our total writings. This decision to deemphasize this line is supported by the A.M. Best forecast of a combined ratio for workers' compensation of 106% in 2008 and 108.5% in 2009.

We have a concern about the rate inadequacies in this line especially when considering that medical and pharmaceutical expenses have been increasing on a double digit basis for many years, as well as the inescapable exposure to the threat of terrorism. We continue to write workers' compensation on an account basis, but carefully underwrite the business and emphasize the importance of loss control. Since workers' compensation is so important to our economy, we believe that rates will eventually become adequate again, and we hope to build a significant book of this business in the future.

3. The ratio of net premiums written to surplus for the twelve months ending December 31, 2008 was .60 to 1, which reflects conservative leverage from the strong growth of our surplus.
4. GNY's combined ratio was a profitable 95.7%, which compares most favorably to the 106.5% combined ratio for the industry's commercial lines insurers and the 104.7% for the total industry. The loss ratio was exceptionally profitable at 44.0%, and was one of the lowest recorded in our history. We earned \$31.5 million in investment income, which was essentially flat compared with 2007 due to lower investment yields and our increased investment in municipal bonds. Our investments have held up and none of our securities were impaired, unlike many insurers in the industry that reported significant realized and unrealized investment losses,

Our balance sheet on a relative basis is one of the strongest in the industry, and reflects asset strength, superior liquidity, conservative leverage, and full loss reserves.

- a. Our bond portfolio of \$733.9 million comprises almost 90% of our admitted

assets; 57.7% of our bonds are invested in securities backed by the full faith and credit of the United States Government, and 35% are comprised of highly rated municipal bonds. What is most important this year is that the market value of our bonds is \$22.7 million greater than the carrying value. This is in contrast to the many companies that have been injured as a result of the turmoil in the credit markets causing large declines in the market value of entire portfolios relative to their carrying value creating large unrealized losses.

- b. Invested assets including accrued investment income at year-end 2008 of \$800.8 million exceeded our loss and loss adjustment expense reserves of \$386.9 million by a very large margin of \$413.9 million, which produces liquidity ratios far and above industry standards.
- c. 2008 was the twenty-eighth consecutive year in which independent casualty actuaries, who are Fellows of the Casualty Actuarial Society, certified the adequacy of our loss and loss adjustment expense reserves to the regulatory authorities, and further, our held reserves were 109% of the reserves projected by these independent casualty actuaries, same as in 2007.

A.M. Best Company has over many years awarded our Group of companies an A+ Policyholders' Rating. We are pleased to report that once again in 2008 we were awarded an A+ rating, which was gratifying since less than 9.9% of all U.S. P/C insurance companies in 2008 were rated A+ or better. Standard & Poors also affirmed our A rating in 2008. These ratings reflect the group's superior capitalization, strong overall earnings and solid market position, and have helped us affiliate the very best producers everywhere we do business.

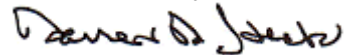
Our Board of Directors elected Travis M. MacMillian as our new President and Chief Operating Officer and he began with us on May 31, 2008. Mr. MacMillian has had a distinguished career as Vice President at a national property and casualty insurance Company where he worked for 15 years and developed and implemented a commercial lines strategic plan that operated successfully and profitably across the country. We welcome Mr. MacMillian to our Companies, and wish him a long, satisfying, and prosperous career with our Companies.

Last year, we embarked on an internet project to develop a new interactive web site that will be policyholder and producer friendly to replace our current web site, which will consist of a public portal that will contain information useful to our policyholders and the public, a producer portal that will serve our producers in providing essential underwriting and accounting information, and an intranet site that will enable management to communicate and share information with the GNY staff simultaneously in every office using a common platform. This

new web site is in keeping with our primary goal of providing our producers and policyholders with the best and most efficient service possible.

In closing, I would like to thank each of our producer partners for their efforts during the year, as well as express my sincere appreciation for the hard work and commitment of our President and Chief Operating Officer, Travis M. MacMillian, my fellow officers, our capable staff, and the members of the Board of Directors for their vital contributions in 2008. And, I would like to thank you, our policyholders, for your continued trust and faith in us. You are the reason we are in business, and an important reason for our success.

Respectfully submitted,



Warren W. Heck, CPCU
Chairman of the Board &
Chief Executive Officer