

November 1999

Chairman's Message

1999 is turning out to be an excellent year for our companies and if our reading of the tea leaves is correct, we can look forward to most gratifying results in the next few years.

Highlights of the first nine months of 1999 are as follows:

- As many of our peer competitors are struggling with underpriced business and inadequate reserves, our market is witnessing a noticeable flight to quality. Our companies are benefiting from this trend as evidenced by the fact that we wrote 12.6% more business in the first nine months of 1999 than in the same period in 1998, and in October 1999 the increase over the same month in 1998 was over 25%.
- Our combined ratio for the first nine months of 1999 was 114.5%. We expect a slight decline in the fourth quarter once our earned premiums have been bolstered by the increased level of writings.
- Our operating ratio was extremely profitable at 75.5%.
- Consolidated statutory surplus increased \$4 million during the third quarter and \$9.9 million (5.5%) for the first nine months to \$189.9 million.
- Our underwriting leverage continues to be ultra-conservative. Our ratio of net premiums written to surplus presently stands at .37 to 1.
- Our balance sheet remains exceptionally strong. At September 30, 1999, 90.8% of our total admitted assets were comprised of investments in U.S. Treasury obligations.
- Our loss and loss adjustment expense reserves have been greater than the level recommended by independent casualty actuaries in each of the last four years.

Respectfully submitted,

Alexander E. Rosenthal