

March 9, 2004

To the Policyholders of Greater New York Mutual Insurance Company

I have the distinct pleasure to deliver the Annual Report of operations, on a consolidated basis, of Greater New York Mutual Insurance Company and its wholly owned stock subsidiaries, Insurance Company of Greater New York, and Strathmore Insurance Company.

Our Companies have had striking operating results in the last five years. Direct written premium has grown by 255% to \$279.4 million, admitted assets have grown by 42% to \$659.2 million, and surplus on a statutory basis has grown by 29% to \$231.7 million. I am happy to report that 2003 has been our most successful year yet. As I will point out in this report, even with this very strong premium growth, we have continued to maintain conservative leverage ratios as measured by every standard in our industry.

2003 continued to be a challenging year for our industry. Despite significant premium growth, an improvement in underwriting results, and a meaningful recovery over the bleak results of the last five years, the recovery has been exceptionally slow due to the massive losses in the liability lines from unrestrained jury awards and numerous cases of class action litigation, surging asbestos, lead paint, mold and latent disease claims, soaring medical inflation, higher than average catastrophe losses, and a weak investment environment.

While accident year results have substantially improved, most of the improvement continues to be offset by adverse loss development on claims from prior accident years. 2003 was a year in which rating downgrades by A.M. Best continued to significantly outpace rating upgrades for the third year in a row; the number of companies that were rated A+ or higher by Best decreased to 8.6% in 2003 from 11.4% in 1999. We also witnessed the failure of the Kemper Insurance Companies, and the withdrawal from commercial lines by the Atlantic Mutual Insurance Companies. Royal Sun Alliance also withdrew entirely from the U.S. market.

I am pleased to report that the GNY Companies have managed to avoid the numerous problems that have confronted so many of our industry competitors, which enabled our Companies to have very strong operating results in 2003. A.M. Best rates our Companies A+, and Standard & Poor's rates our Companies A. Both rating agencies have classified the capital strength and operations of our Companies as superior. Our strong capitalization was verified by A.M. Best's financial model (BCAR) which rated GNY's capitalization at 285.9%, well above the threshold required for a Superior (A++) rating, and considerably higher than the industry's BCAR rating of 185.3%. Standard & Poor's "capital adequacy ratio" for GNY of 358% was more than twice the threshold (175%) required for a Superior (AAA) capital rating.

Notable financial and operational achievements in 2003 were as follows:

1. Net premium writings grew by 25.8% to a record level of \$218.8 million or two and one-half times the industry's premium growth rate of about 10.2%.
2. The ratio of net premiums written to surplus for the twelve months ending December 31, 2003 was .94 to 1 (2002 - .80 to 1). This reflects conservative leverage, which resulted from the strong growth of our surplus, and compares favorably with the industry's ratio of 1.3 to 1.
3. Pre-tax operating income, on a conservative statutory accounting basis, increased 61% to \$20.4 million. The after tax income increased 86.9% to \$11.1 million.
4. The combined ratio declined 4.4 points to 99% and the operating ratio was a very profitable 85.4%, which we estimated is in excess of 5 points more profitable than the industry's operating ratio.
5. Consolidated statutory surplus increased 6.7%, or \$14.5 million, to a record level \$231.7 million.
6. Our balance sheet, which on a relative basis is one of the strongest in the industry, reflects asset strength, superior liquidity, conservative leverage, and full loss reserves.
 - a. Admitted assets grew 15.2% or \$87.2 million to \$659.2 million.
 - b. Our bond portfolio of \$515.2 million comprises 78.2% of our admitted assets. Of these bonds 70.8% are securities backed by the full faith and credit of the United States Government.
 - c. Invested assets at year-end 2003 of \$547.4 million exceeded our loss and loss adjustment expense reserves of \$262.5 million by a wide margin of \$284.9 million, which produces liquidity ratios far and above industry standards.
 - d. 2003 was the twenty-third 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 104.4% of the reserves projected by the independent casualty actuaries.
7. Management undertook the reengineering of the General Liability Claims Department in 2001, which has generated a significant reduction in loss costs. Since 2001, the number of claims in suit has dropped 23.5%, and the average paid claims for the general liability section of the Commercial Multi Peril policy

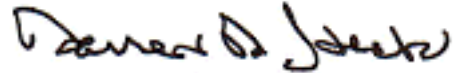
has declined 25.4%.

I am pleased to advise that in 2002 the GNY Insurance Companies were the fourth largest writers of Commercial Multi Peril business in New York State, the eleventh largest writers of that business in New Jersey, and the sixteenth largest writers in Connecticut. Also, for the fourth consecutive year in 2003, GNY was named one of the fifty best property/casualty insurance companies by Ward Financial Group, in terms of performance over the past five years out of 2,700 property/casualty insurance companies in the United States.

Last year, management decided that prudent underwriting practices required the Company to diversify into other areas and regions, and decided to open a branch office in Massachusetts, and to develop the upstate New York territory. The Company is in the process of negotiating for office space in Quincy, Massachusetts.

In closing, I wish to pay tribute to my fellow officers and our capable and dedicated staff, without whose hard work we could not have been able to have such superior results. And, finally, I am most grateful for the outstanding contribution to our companies' success by our Board of Directors and by our President, Dominick Vicari for the superior performance and skill with which they carried out their duties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Warren W. Heck".

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