

March 9, 2006

To the Policyholders of Greater New York Mutual Insurance Company

I am pleased to report that 2005 was a most successful year for Greater New York Mutual Insurance Company and its two wholly owned stock subsidiaries, Insurance Company of Greater New York, and Strathmore Insurance Company. It was the culmination of six years of record growth of premiums, assets, surplus and cash flow and of outstanding efforts by our staff in all areas of our Company, which we believe will firmly lay the foundation for many years of future profitable operations. Over the last six years our net written premium has grown by 230% to \$239.7 million, admitted assets increased by 69.5% to \$784 million, surplus on a statutory basis grew by 37.9% to \$262.6 million, cash flow for the period amounted to \$241.9 million and our after tax net income over the period was \$60.7 million.

Industry results improved over the last two years as well; however, A. M. Best in its edition of Review & Preview in 2006 said that beneath the surface are a number of factors that undermine the apparent strength of the industry, and said that price softening in commercial lines, loss-cost inflation, higher reinsurance costs and continued loss reserve deficiencies of about \$44 billion in commercial lines will begin to erode profit margins in 2006. The industry had favorable results during the first half of 2005 until Hurricanes Katrina, Rita & Wilma devastated the Louisiana, Mississippi and Gulf Coast States in the third quarter with losses of about \$60 billion pushing the combined industry ratio to 102%. These natural catastrophes were a repeat of the four Florida hurricanes in 2004 which cost the industry in excess of \$20 billion. Industry analysts, however, believe that the industry will spring back in 2006 with a sufficient underwriting performance to generate a small underwriting profit.

I am happy to report that our Companies were fortunate to avoid the many problems that are of concern to A. M. Best, and that we have firmly adhered to our basic principles which are to maintain a strong financial position with full and adequate loss reserves monitored by independent casualty actuaries, to invest only in the safest and least volatile of securities, to maintain a conservative ratio of net written premium to surplus and to write only quality business at adequate rates.

Notable financial and operational achievements in 2003 were as follows:

1. Net premium writings grew by 1.7% to a record level of \$239.7 million compared with the industry's net premium growth rate of about .7%. CMP direct written premiums, which represents 85% of total direct written premium, grew by 5.1% whereas the industry reported a decline of 5%.
2. The ratio of net premiums written to surplus for the twelve months ending December 31, 2005 was .91 to 1, which reflects conservative leverage from the strong growth of our surplus.

3. The overall combined ratio of 99.7% was 2.3 points more profitable than the industry combined ratio of 102%. Commercial Multi Peril, the Company's primary line of business, had an exceptionally profitable combined ratio of 89% which was 23 points lower than the comparable industry combined ratio of 112%.
4. Operating cash flow was \$65.1 million or 27.5% of our earned premium revenues.
5. Consolidated statutory surplus increased 5.3%, or \$ 13.3 million, to a record level \$262.6 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 8.6 % or \$62.2 million to \$784 million.
  - b. Our bond portfolio of \$618.7 million comprises 79% of our admitted assets. 63.2% of our bonds are invested in securities backed by the full faith and credit of the United States Government, and 28.8% are comprised of highly rated municipal bonds.
  - c. Invested assets including accrued investment income at year-end 2005 of \$675.7 million exceeded our loss and loss adjustment expense reserves of \$354.8 million by a wide margin of \$ 320.9 million, which produces liquidity ratios far and above industry standards.
  - d. 2005 was the twenty-fifth 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 102.3% of the reserves projected by the independent casualty actuaries.

In 2004 management began the process of reengineering the Workers' Compensation Claims Department which it completed in 2005. This involved employing a new claims head of Workers' Compensation Claims, upgrading the staff in all of our offices, streamlining and improving the quality of investigations, and claims processing procedures including the reorganization of the department into a General Unit and a Severity Unit to enable serious cases to be immediately identified and investigated.

We also conducted a year long inventory of every open workers' compensation claim file with the objective of bringing all open loss reserves to their ultimate values, and settle every case where possible. This resulted in a significant loss reserve development which we believe has now been completed, and will significantly

improve our results in the workers' compensation line going forward.

I am pleased to advise that A.M. Best Company affirmed our A+ rating in June 2005 with an upgrade to a Class IX financial size, and classified our capitalization under its financial model (BCAR) at 225.3%, which is well above the 175% threshold required for a Superior (A++) rating, and considerably higher than GNY's peer group BCAR rating of 196.5%. We are particularly proud of our A+ rating since only 9.2% of all Property & Casualty companies were rated A+ or better by A.M. Best in 2005.

Standard & Poor's also affirmed our A rating with a positive outlook in November 2005, and classified our capital adequacy ratio at 314%, well above the threshold of 175% required for a Superior (AAA) capital rating.

We take pride in the fact that for the last several years our Companies, on a consolidated basis, have been the fourth largest writer of Commercial Multi Peril business in New York State, and within the Commercial Multi Peril line, the third largest writer of general liability insurance. In New Jersey, we have also been the fifth largest writer of Commercial Multi Peril business.

2005 marked the first full year of operations in our newly expanded territories of upstate New York, Massachusetts, Pennsylvania, Maryland and Virginia, and I am pleased to report that we exceeded our production goals with \$20.8 million of business from the new territories. The Company also opened a new branch office in Albany, New York, and relocated its Connecticut branch office to a new modern facility in Glastonbury, Connecticut with very favorable leasing terms.

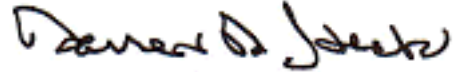
The Board of Directors elected Dr. Thomas W. Synnott as director, to fill the position on the board occasioned by the resignation of Mr. Jeffrey Maurer. Dr. Synnott has had a distinguished career as Chief Economist at US Trust Company of New York where he worked for 37 years before retiring in December 2003. He is a well known and respected economist whose presence on the Board will give it the benefit of his insight into the economic factors that affect our investments, and we welcome him to our Boards.

With regard to the catastrophic hurricanes last year, our hearts go out to the victims of the devastating losses from Katrina, Wilma & Rita that caused so much suffering and loss of life in Mississippi and the Gulf Coast States. Our Company and staff made a significant contribution to the American Red Cross Local Disaster Relief Fund to help ease the suffering in that region.

The outstanding financial results that we had last year would not have been possible without the hard work and commitment of my fellow officers and our capable staff. I am most grateful to the members of the Board of Directors for the assistance they offered Management in 2005 and for the devotion and dedication they brought to the affairs of our Companies, and by our President, Dominick Vicari for his superior performance and skill in which he carried out his duties.

We exist to serve the insurance needs of our policyholders, and therefore we are committed to keeping our Companies financially strong so that we will be positioned to serve our policyholders for many years into the future.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Warren W. Heck". The signature is written in a cursive style with a large initial "W".

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