

March 13, 2007

To the Policyholders of Greater New York Mutual Insurance Company

This is the sixth Annual Report that I have had the privilege of delivering 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 the newest Company in our Group, GNY Custom (GNY).

I recently reviewed my Annual Report of March 12, 2002 dealing with the operations of the 2001 year and noted that at December 31, 2001 admitted assets of our companies amounted to \$512.7 million and surplus stood at \$200.5 million. 2001 will forever reside in our memories as the year that our nation experienced the September 11th tragedy in which we suffered the largest loss of life and property from a single horrific terrorist attack. Following that tragic event the GNY staff had to deal with the problem of how to continue to afford coverage for terrorism, while reinsurers uniformly refused to provide such coverage. This was more than a year before the federal terrorism backstop known as TRIA had been enacted. Numerous policyholders had been insured with us for many years, and we didn't want to abandon them, particularly at a time when many insurance companies were non-renewing their New York City business. And so, we immediately began working on developing new underwriting guidelines and ways to deal with the terrorism exposure.

I am pleased to report that as a result of the resourcefulness and hard work of our staff and the solid foundation we built in 2001, GNY had record results in the succeeding years and had financial results in 2006 that were unprecedented in its history. At December 31, 2006 our admitted assets were a record \$851.4 million, \$338.7 million higher than 2001, and surplus reached its highest level at \$292.1 million, \$91.6 million higher than 2001.

Other notable financial and operational achievements in 2006 were:

1. Net premium writings grew by 6.4% to a record level of \$255.1 million compared with the industry's net premium growth rate of about 1% for commercial lines. Commercial Multi Peril net written premium, which represents 87.7% of our total direct written premium, grew 10.1% whereas the industry reported a 7% increase. Since the beginning of 2001, GNY's net Commercial Multi Peril premium increased by 234% from \$65.8 million to \$219.8 million in 2006 compared with the industry's CMP premiums, which increased only 49.7% during that period.
2. The ratio of net premiums written to surplus for the twelve months ending December 31, 2006 was .87 to 1, which reflects conservative leverage from the strong growth of our surplus.
3. The overall combined ratio of 94.9% compares favorably with the 94.3%

combined ratio projected by A.M. Best for the industry's commercial lines insurers.

4. Pre-tax income was a record \$41.5 million, an increase of 86.9% over 2005 and totaled \$133.4 million in the last six calendar years.
5. Operating cash flow continued to be exceptionally strong at \$69.6 million or 27.4% of our earned premium revenues, and contributed to a record six year cash flow of \$309.2 million.
6. Investment income was \$30.1 million, an increase of 11% over the previous year.
7. 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.

Our bond portfolio of \$674.7 million comprises 79.2% of our admitted assets. 69.9% of our bonds are invested in securities backed by the full faith and credit of the United States Government, and 26% are comprised of highly rated municipal bonds.

Invested assets including accrued investment income at year-end 2006 of \$743.5 million exceeded our loss and loss adjustment expense reserves of \$388.6 million by a wide margin of \$354.9 million, which produces liquidity ratios far and above industry standards.

2006 was the twenty-sixth 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 106.6% of the reserves projected by independent casualty actuaries.

I am pleased to advise that A.M. Best Company affirmed our A+ rating in June 2006, and classified our capitalization under its financial model (BCAR) at 219.4%, which is well above the 175% threshold required for a Superior (A++) rating, and considerably higher than GNY's peer group BCAR rating of 199.3%. We are particularly proud of our A+ rating since only 8.3% of all Commercial Property & Casualty companies were rated A+ or better by A.M. Best in 2006.

Standard & Poor's also affirmed our A rating with a stable outlook in February 2007 and stated in their full analysis report in the section on Management and Corporate Strategy:

"GNY has a strong management team with a strict underwriting culture, which has developed over the past few decades. The corporate strategy is to sustain its market niche in the core commercial multi peril business without having to depend on

market cyclicalities. Standard and Poor's has the view that GNY has a strong track record of executing its focused management and corporate strategy..."

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.

I am pleased to report that in our newly expanded territories of upstate New York, Massachusetts, New Hampshire, Pennsylvania, Maryland, Delaware and Virginia, we exceeded our production goals in 2006 with \$29.9 million of direct written premium. After a year of research on where next to expand our operations, we decided to develop the Midwest, beginning with the State of Illinois, and began operations in February 2007. We also formed a new Excess and Surplus lines non admitted carrier named GNY Custom, which will also begin operations in 2007.

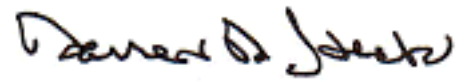
We had the distinct honor to be chosen by the Insurance Brokers Association of the State of New York (IBANY) as the recipient of the 2006 Insurance Company of the Year Award. This is a national trade organization of the larger brokers and agents in New York State with whom we do business. GNY was chosen based on superior customer service, consistent and fair coverage terms, innovative products and coverage enhancements, and professional handling of claims, according to a statement from the association.

Our Company was also designated a Super Regional carrier by Demotech Inc, an actuarial consulting and financial rating firm and the official research partner of Insurance Journal. In their notice to our Company they said that the Company has successfully competed against national and international insurance companies and forged a significant and well respected presence in the marketplace we serve.

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.

And, finally, I am most grateful to the members of the Board of Directors for the time and effort they have given to the affairs of the Company in 2006, and to our President, Dominick Vicari for his superior performance and skill in which he carried out his duties. I express to all my deep and sincere appreciation for their devotion and dedication to the Company.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Warren W. Heck". The signature is fluid and cursive, with the first name "Warren" being more prominent than the last name "Heck".

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