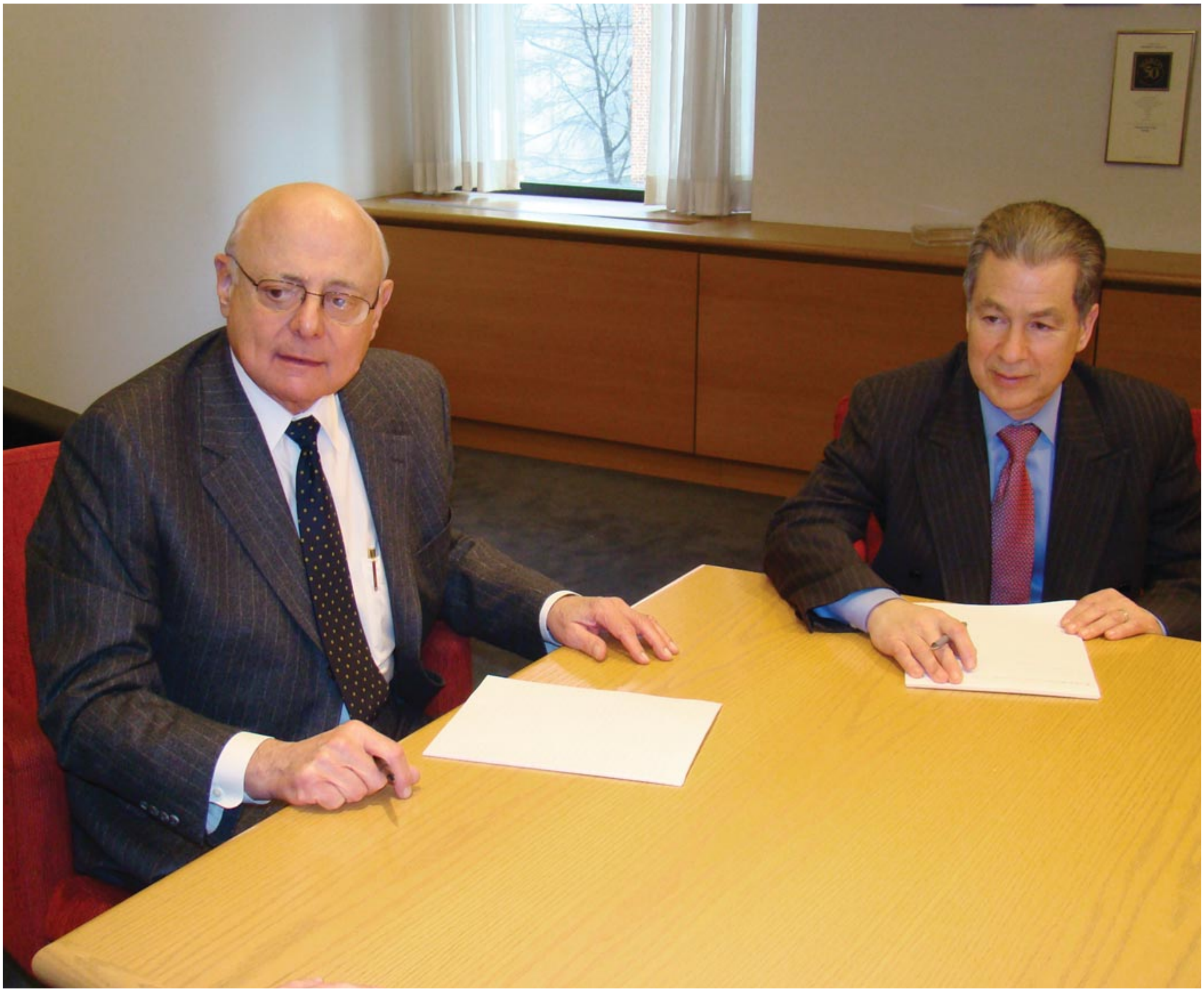
GNY Mutual Insurance Company

Geographic and class-of-business diversification has been the name of the game for Warren Heck and his team at this successful property and casualty insurance company.

Blazing New Territory



One of the largest property and casualty insurance underwriters in downstate New York and New York City, Greater New York Mutual Insurance Company (GNY) insures the largest number of co-op and condominium apartment houses in the city along with dozens of multi-million dollar office buildings. After the September 11 attacks, many of GNY's competitors abandoned their New York City accounts, but Warren Heck and his team took a different approach.

"Many of our competitors ran for the hills and didn't continue with their New York City accounts, but we've been in the city since 1914 and enjoy close relationships with our clients and friends; we couldn't abandon them," said Heck, chairman and CEO.

Instead, GNY decided to focus on growth through diversification. Starting in 2005, it strengthened its presence in New Jersey and Connecticut, launched offices in Upstate New York, and moved into Rhode Island, Massachusetts, and New Hampshire. Next, the company moved south, establishing a branch office in Maryland, and began doing business in the Mid-Atlantic states of Maryland, Delaware, Virginia, and Washington, DC as well as throughout the state of Pennsylvania.

The company's goal was to bring in more suburban business and underwrite classes of business like self-storage warehouses, hotels, and restaurants, which Heck said have become a great source of income for GNY.

The firm also launched a subsidiary in 2006 called GNY Custom that provides excess and surplus insurance lines to particularly high-risk businesses. Adding that service further expanded the types of business GNY could work with.

In 2006 and 2007, GNY jumped into the Midwest, focusing in Chicago and its suburbs. Although originally Heck wanted to avoid underwriting businesses in the city center, the company recently gained some urban accounts there that are balanced by suburban policies in Illinois, Indiana, Michigan, and Ohio.

After four and a half years of expansion into these new markets, GNY wrote new business of about $60 million in written premium, $20 million of which came from business in the Midwest territories over the last three years. And that was during one of the softest underwriting cycles in the insurance industry.

"Our industry is subject to underwriting cycles that function separately from the economic cycle, but after September 11 and in the last four years, we've been coping with a very soft market," said Heck, admitting that such a time might seem less than ideal to push for expansion. "But we've found that, although our established business in New Jersey, Connecticut, and New York was somewhat vulnerable, we were able to balance that with new businesses across our expanded region."

In fact, 2009 was the seventh successive year GNY was able to post a combined ratio under 100%, better than the industry average combined ratio of about 101%. Heck explained the lower an insurance company's combined ratio, the more profitable it is. GNY has also seen its written premiums grow in excess of 250% over the last nine years, and its overall loss ratios have been better than industry averages.

All this growth hasn't affected the company's service, however. AM Best rated GNY an A+ provider for the last 25 years, and S&P awarded the firm an A rating during all of the years it reviewed the firm.

Whatever the future brings

Heck said for now, the company will focus on growing the markets in which it's currently operating rather than pushing further west or south to break into new markets. Even though Heck sees the insurance industry improving in the next few years, the struggling economy and changes in industry regulations pose new challenges for GNY.

Heck has long been involved in federal issues for the industry. He has testified before the House of Representatives Financial Services Committee four times since September 11 to advocate first the establishment and then the renewal of TRIA to provide insurance protection to the business community from terrorist attacks.

His biggest concern today is the pending optional federal charter, which would provide the option of federal regulation of the property and casualty insurance industry. Heck said large players in the industry support it under the pretext it will simplify bureaucracy but that a federal program would reduce oversight, leaving policyholders vulnerable and with no direct access for complaints.

Heck said property and casualty insurance is closely linked to local conditions like weather and building codes that vary by state. A federal system wouldn't be able to handle such nuances.

"State regulation isn't perfect, and the current processes should be streamlined, but right now, the states have a much better track record of regulating our industry when you think about what happened as a result of poor federal oversight of the financial industry," Heck said.

For Heck and his team, these challenges will keep business exciting in the years to come because of the culture that has supported GNY for so many years. He explained proudly how a flat management structure and collaborative planning process mean he personally knows and regularly speaks to most of the company's 400 employees. Furthermore, regardless of its success, GNY has always maintained disciplined underwriting practices and tightly controlled its costs; it has never gone through a layoff, and even in this recession, employee benefits and the usual bonuses were earned and approved.

"Our people consistently work as a team to deliver superior results, and it would be wrong not to reward them for their hard work," Heck said. "Plus, we're going to need this great team to carry out the wonderful plans we have for the future of GNY."

—Meghan Flynn