

A Brief History

GNY: THE FIRST 100 YEARS

Lower East Side,
Manhattan, tenement
housing and street life in
the early 1900s.



STANDING
STRONG
SINCE 1914

The story of GNY begins in New York City near the turn of the last century. America in the late 1800s was being heralded by people around the world as a true promised land, a unique gateway to a land of opportunity where they could be free of violence and oppression and provide their families with unprecedented levels of safety and security. Tens of thousands of immi-

grants from dozens of different countries flocked to our shores, often with nothing more than the clothes on their backs, in search of a better life. Poor but hardworking, their children and grandchildren destined to become the City's leaders, these newly arrived Americans congregated with their families in the only residences they could afford at the time: low-priced cold water flats in Lower East Side high rises. And, indeed, these buildings in turn were often owned by fellow immigrants who themselves had scrimped and saved their money from their jobs as carpenters, masons, push cart vendors, tailors and construction workers.

By 1907, many of the owners of these apartment houses had banded together to form a real estate trade organization, with the members helping each other deal with the myriad issues involved with maintaining and operating the buildings, such as complicated tax laws and code requirements. But perhaps top on the list was a problem that plagued nearly

all of them: existing insurance companies of the day mistrusted these immigrants and their foreign ways, and few were willing to provide them with the insurance coverage they needed to survive and continue to provide residences for their tenants. This left them extremely vulnerable, as a single loss could take their property from them and literally wipe out a lifetime of hard work.

So they did what enterprising Americans have always done: they simply did it themselves. Forming a *defacto* insurance company they called the Greater New York Taxpayers Association, they wrote their first policy and put it into force on June 1, 1914, effectively spreading risk among them, and sharing the fees associated with attorneys and other resources. Each member initially paid an annual premium of \$25 and put a plaque on their building to show their affiliation. Within six months the annual premium was increased to \$50.

CULTURE BUILT EARLY

Out of necessity, since they didn't have a lot of money to pay liability claims and there was recognition at the time that many claims brought against these immigrant building owners were frivolous, they quickly formed a tenacious culture in which they would fight unfounded claims in the courts until they prevailed for the policyholder. And, at the same time, they did something all but unheard of at





Photographs depict typical Manhattan and Brooklyn tenement (previous page) and brownstone buildings from the late 1800s and early 1900s, still standing today.

the time: they insisted that members/owners optimize the safety of their buildings, from installing railings on steps to using covers on coal stoves, and correct other unsafe conditions at their respective properties.

But, for more than ten years, as far as the State government was concerned, although GNY was effectively protecting its policyholders, and slowly, but surely earning profits and increasing its surplus, its informal nature and policy of catering mostly to a limited immigrant community made it an “under the radar” type operation. By 1927, as GNY’s reputation for fairness and strength expanded and the company’s writings grew, the State notified the Association that it was “acting as an insurance company” and needed to be formally licensed, which it had not been previously.

It had a formal and hard-working Board of Directors, and they met to quickly put a plan into place to meet the concerns of the New York State Insurance Department, reorganizing the Association as a mutual insurance company. Isidore Berger was elected to become the firm’s first Chief Executive Officer, a position he would hold for several decades.

Of note, within less than a year, the new company, which had for its first 14 years written policies directly, elected to partner with insurance producers, making a wise decision that has served the company well ever since. The company also opened two new branch offices outside of Manhattan Proper in order to be in closer proximity and better serve the needs of policyholders in

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the new residential buildings that were being erected on the pristine farm lands of the Bronx and Brooklyn.

Within a few years, GNY also made an unusual move that would form the basis for another ingrained philosophy. It no longer utilized outside counsel to defend against claims, but instead created a strong, dedicated, in-house staff, a policy that has been significantly expanded in recent years. Today, GNY not only has its own extensive staff of legal specialists, but is also one of the few insurance companies anywhere to maintain an affiliated in-house Appellate Department, bolstering our ability to fight for our insureds at any stage of the legal process when appropriate.

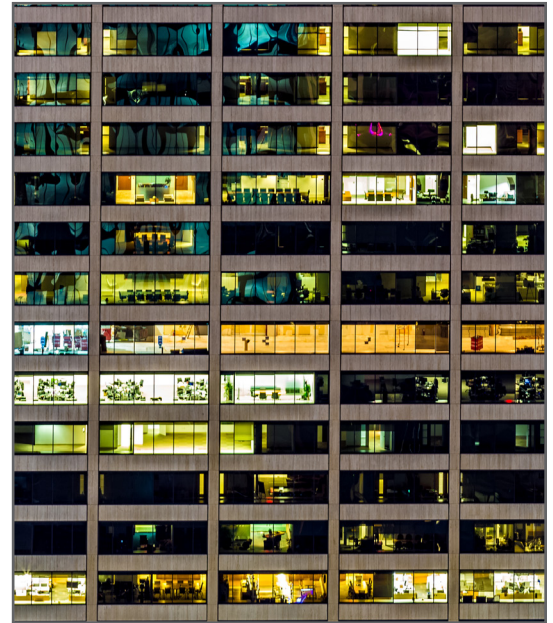
Meanwhile, America was moving into the Great Depression. While millions around the country were thrown out of work, GNY pledged to avoid laying off any of its employees. Not that it was an easy decision to implement—to make it possible, the



At right, the iconic Empire State Building erected in the 1930s during the Great Depression.

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company mandated that, starting with its senior executives and working down, all employees would be subject to a 10% salary reduction. It must have helped, because while many companies failed, GNY persevered, and during those challenging years, the company maintained a quality staff and continued to perform reasonably well. Of note, after the Depression and World War II, GNY



STRONG GROWTH

In the post-war boomer decades, GNY, with the help of ever greater numbers of producer partners, saw its strong growth re-commence and accelerate. Under the leadership of its third CEO Alexander E. Rosenthal, in 1962 the company made plans to open offices outside of New York City, with branches established in Connecticut and New Jersey. Brought in to manage the New Jersey branch was a promising young insurance executive with five years of industry experience under his belt, Warren Heck.

At that time, GNY also expanded into all lines of property and casualty insurance in addition to its traditional strengths in protecting its policyholders against third-party liability claims. GNY began offering a new form of coverage known as the “Special Multi-Peril” policy which combined property and general liability coverage in a single policy. Under Alexander Rosenthal’s



Mid-century modern design influenced buildings (motel above) and modern, glassy office buildings (right) emerged in the second half of the 20th and into the 21st century.

instituted a quarterly bonus program as a “thank you” to employees for their hard work and sacrifice. This bonus program continued for nearly twenty years, paying back far more than had ever been deducted.

Speaking of World War II, the historical record of GNY is less robust during those years—and not surprisingly, since about 60% of the company was drafted into the armed services and served overseas. With a skeleton crew maintaining operations, the company continued to perform satisfactorily and meet the needs of policyholders—and continued its policy of taking good care of all its stakeholders. For example, meeting minutes from that period state many of the key employees were paid their salaries even while serving in America’s armed forces.



The contrast of older and newer structures in Boston (below) and Hartford (above) is ever present in urban communities today and serves as a reminder of our past and growing future.

leadership, the company grew significantly, if not steadily, as the company fought the hyperinflation and aggressive market cycles that characterized the decades of the '70s and '80s. After 64 years of service to the company, Rosenthal passed away in early 2001, with Warren Heck, having been the company's President for 18 years, assuming the role of Chairman of the Board and CEO.

THE IMPACT OF 9/11

Heck's honeymoon period as CEO was to be short-lived; during a business trip to New Jersey, Heck watched in horror as the terrorist attacks of 9/11 unfolded. Unable to get back to headquarters, he began formulating a plan for the future. Steadfastly refusing to leave the city and abandon the policyholders GNY had served for decades, or significantly increase premiums, as he knew many other carriers would choose to do, Heck wondered how he could manage the risk of serving New York

City in a post-9/11 world. His answer: doing something that GNY had not done in nearly four decades—diversify geographically to further spread the risk, and establish a new methodology for managing the concentration of exposures in New York City, particularly in Manhattan.

Within a few years, GNY was servicing clients in states including Massachusetts, New Hampshire, Pennsylvania, Illinois, Ohio, Maryland, Virginia and Albany/Upstate New York, and writings from these areas generated 25% of revenues, even as revenues in the tri-state area increased, fueling levels of growth unprecedented in the prior 90+ years.

THE BEST IS YET TO COME

In 2014, the company's 100th year, Heck announced his retirement, after "only" 53 years of service, with the Board appointing Elizabeth Heck as his successor and the company's fifth CEO. With Warren Heck leaving the company in the strongest position it has ever been in, GNY looks forward to beginning its next hundred years of service to its policyholders and producer partners.



INSURANCE COMPANIES

Greater New York Mutual Insurance Company
350 Fifth Avenue, 7th Floor
New York, NY 10118
Telephone: 212-683-9700
Email: information@gny.com
Web: www.gny.com