

Best's Rating Report



GREATER NEW YORK GROUP

Greater New York Mutual Ins Co
Insurance Co of Greater NY
Strathmore Insurance Company
GNY Custom Insurance Co

A+
A+
A+
A+



Associated With:

Greater New York Mutual Insurance Co GREATER NEW YORK GROUP

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AMB#: 003326

Associated Ultimate Parent#: 000438

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RATING RATIONALE

Rating Rationale: The ratings of the members of Greater New York Group (GNY) reflect the group's excellent risk-adjusted capitalization and solid operating performance coupled with a conservative invest-

ment strategy, which has protected policyholder surplus in years of investment market volatility. The ratings also reflect the advantages derived from its local market position as a leading writer of commercial multi-peril business for habitational, light industrial, office building and restaurant risks, primarily within the Northeast region. Offsetting these positive rating factors are a variety of risks associated with its business concentration in New York and New Jersey. Although GNY experienced a higher than normal combined ratio in 2012 due to Superstorm Sandy, GNY has demonstrated more favorable results to date. The stable outlooks reflect GNY's improved underwriting results since 2012 driven by various underwriting initiatives and impact of less severe weather-related claims.

The group's positive rating factors stem from its conservative operating philosophy, local market expertise and strict claims manage-

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ment, controls and processes. In addition, the group benefits from its strong reputation, regional expertise in commercial markets and its long-standing relationships with its insureds and producers. In an effort to mitigate the risks associated with its terrorism exposure while protecting policyholder surplus, the group adheres to specific underwriting guidelines to limit exposure and purchases separate terrorism reinsurance coverage to cover the majority of its TRIPRA deductible and its 17% coinsurance requirement. Although management has pursued cautious expansion initiatives, GNY's market profile remains geographically concentrated as approximately 71% of its premium writings are derived from New York and New Jersey at year-end 2016. Consequently, GNY remains exposed to potential regulatory, legislative and competitive risks coupled with catastrophic and other weather-related events that could impact results. This was demonstrated between 2010 and 2012 when a concentration of weather-related claims impacted results.

Negative rating action may occur if there is a significant decline in GNY's operating results or there is a considerable deterioration in the group's risk-adjusted capitalization as measured by Best's Capital Adequacy Model.

BUSINESS PROFILE

The Greater New York Group (GNY) consists of Greater New York Mutual Insurance Company (GNY Mutual) and its three wholly owned subsidiaries, Insurance Company of Greater New York (INSCO), Strathmore Insurance Company (SIC) and GNY Custom Insurance Company (Custom). The group offers general liability, workers' compensation, fire, commercial multi-peril, inland marine, automobile, burglary and umbrella policies. Insureds include condominium and cooperative associations, office buildings, restaurants, light industrial, and other low hazard, small to mid-size commercial establishments. Only non-assessable policies are issued. The majority of business originates through brokers (approximately 90%), with the remainder originating through independent agents who have no binding authority. Branch offices are maintained in Glastonbury, Connecticut; East Brunswick, New Jersey; Hunt Valley, Maryland; and Quincy, Massachusetts. Business is primarily written in New York and New Jersey, with other Northeast states slowly increasing in relative importance.

Commercial multi-peril is the dominant line of business, comprising approximately 94% of net premiums compared to 40% in 1992. Workers' compensation business declined from 50% of total net premiums written in 1992 to 4% at year-end 2016.

GNY established Custom in 2005 as a wholly owned subsidiary of GNY Mutual to write non-admitted commercial property and casualty business, offering coverages on an excess and surplus lines basis. Custom, which began its operations writing surplus lines primarily in New York State during 2008, has expanded its offerings to the same states in which the rest of the group operates, through specialized E&S distribution channels. Targeted classes for property and general liability consist of low to moderate hazard, low frequency risks, which include residential real estate, office buildings, hotels, shopping centers, manufacturing including products liability, wholesaling and retailing, vacant structures and various miscellaneous classes other than construction and catastrophe-driven business. For general liability, business is written on an occurrence basis and the company will entertain deductibles or self-insured retentions (SIRs) at attachment points of \$5,000 - \$50,000.

All direct business is pooled under an intercompany pooling arrangement in which business is shared 84% to GNY Mutual, 10% to INSCO, 5% to SIC and 1% to Custom.

RATING UNIT MEMBERS

Greater New York Group		(AMB# 003326):	
AMB#	Company	Best's FSR	Pool %
000438	Greater New York Mutual Ins Co	A+	84.00
003327	Insurance Co of Greater NY	A+	10.00
012384	Strathmore Insurance Company	A+	5.00
013589	GNY Custom Insurance Co	A+	1.00

KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pre-tax Operating Income	Total Admitted Assets	Policyholders' Surplus	Comb. Ratio
2012	213,338	5,313	948,403	388,586	108.5
2013	234,116	29,543	948,700	414,533	94.8
2014	253,705	21,438	992,357	430,833	99.1
2015	272,405	20,362	1,033,986	443,939	99.6
2016	286,660	32,792	1,081,760	472,629	96.6

(* Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings.

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2016 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance —Prem Assumed—	
	(\$000)	(%)	(\$000)	(%)
Com'l MultiPeril	324,779	94.6
Workers' Comp	11,581	3.4	284	62.5
All Other	7,116	2.1	171	37.5
Total	343,476	100.0	455	100.0

Product Line	Reinsurance —Prem Ceded—		—NPW—		Business Retention (%)
	(\$000)	(%)	(\$000)	(%)	
Com'l MultiPeril	54,398	95.0	270,381	94.3	83.3
Workers' Comp	321	0.6	11,544	4.0	97.3
All Other	2,551	4.5	4,735	1.7	65.0
Total	57,271	100.0	286,660	100.0	83.3

HISTORY

The origin of the group dates back to August 29, 1927, when the lead company, Greater New York Mutual Insurance Company, was incorporated under the laws of New York as the Greater New York Taxpayers Mutual Insurance Association. Operations were previously conducted for a period of about 15 years as a membership corporation. As such, it afforded general liability coverage to property owners of the Greater New York Taxpayers Association. The present title was adopted on March 17, 1954.

MANAGEMENT

Administration of affairs is under the direction of Ms. Elizabeth Heck, president and chief executive officer. Elizabeth Heck joined the group in 2001 and served as chief financial officer before being named president and chief operating officer in 2010. She was appointed chief executive officer in January 2015 to succeed Warren Heck, who remains chairman of the board, a position he has held since 2001. Christopher McNulty joined the company in 2013 and is executive vice president, chief financial officer and treasurer.

Consolidated Balance Sheet Admitted Assets (\$000)

	YE 2016	%
Bonds	\$ 827,172	76.5
Common stock	87,384	8.1
Cash and short-term invest	24,756	2.3
Investments in affiliates	<u>16</u>	<u>0.0</u>
Total invested assets	\$ 939,328	86.8
Premium balances	92,255	8.5
Accrued interest	5,906	0.5
All other assets	<u>44,271</u>	<u>4.1</u>
Total assets	\$1,081,760	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 410,013	37.9
Unearned premiums	166,815	15.4
Conditional reserve funds	376	0.0
All other liabilities	<u>31,927</u>	<u>3.0</u>
Total liabilities	\$ 609,131	56.3
Capital & assigned surplus	1,700	0.2
Unassigned surplus	<u>470,929</u>	<u>43.5</u>
Total policyholders' surplus	\$ 472,629	43.7
Total liabilities & surplus	\$1,081,760	100.0

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The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899.

A Best's Financial Strength Rating (FSR) is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. An FSR is **not a recommendation** to purchase, hold or terminate any insurance

policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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