

BEST'S RATING REPORT



GREATER NEW YORK GROUP

AMB #: 003326

NAIC #: N/A

FEIN #: N/A

Phone:

Fax:

Website: N/A

GNY Custom Insurance Co	A+
Greater Mid-Atlantic Indem Co	A+
Greater Midwestern Indem Co	A+
Greater New York Mutual Ins Co	A+
Ins Co of Greater New York	A+
Strathmore Insurance Company	A+



Best's Credit Rating Effective Date

December 14, 2021

Analytical Contacts

Jeffrey Stary, CPCU, ARe, ARM
 Financial Analyst
Jeffrey.Stary@ambest.com
 +1(908) 439-2200 Ext. 5689

Jacqalene Lentz, CPA
 Director
Jacqalene.Lentz@ambest.com
 +1(908) 439-2200 Ext. 5762

Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Greater New York Group

AMB #: 003326

Associated Ultimate Parent: AMB # 000438 - Greater New York Mutual Insurance Company

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A+
Superior
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

aa-
Superior
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Strong
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: Greater New York Group | AMB #: 003326

AMB #	Rating Unit Members	AMB #	Rating Unit Members
013589	GNV Custom Insurance Co	000438	Greater New York Mutual Ins Co
020982	Greater Mid-Atlantic Indem Co *	003327	Ins Co of Greater New York
020981	Greater Midwestern Indem Co *	012384	Strathmore Insurance Company

* AMB# 020982 was added as a member of the Rating Unit on January 20, 2022

* AMB# 020981 was added as a member of the Rating Unit on January 20, 2022

Rating Rationale

Balance Sheet Strength: **Strongest**

- As of the third quarter of 2021, the group maintained the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% confidence interval.
- High level of absolute capital with almost \$600.0 million in surplus as of the third quarter of 2021. Consistent surplus growth in each year since 2012.
- Conservative investment portfolio with more than 90.0% allocated to high credit quality bonds and cash and short-term investments. The group has little exposure to high-risk assets.
- Loss reserve development has been mixed on both an accident-year and calendar-year basis since 2011.

Operating Performance: **Strong**

- Five-year average combined ratio of 97.1% compares favorably to the composite average of 103.9% over the same time frame, driven by a consistently low expense ratio.
- Net premiums written have grown 97.1% in the last five years including increases of more than 20.0% in both 2019 and 2020.
- Pre-tax return on revenue and pre-tax return on equity compare favorably to the composite.

Business Profile: **Neutral**

- Greater New York Group (GNY) is a niche writer of habitational, light industrial, office building, and restaurant risks that writes business primarily in the Northeast.
- In 2020, GNY was the second-largest writer of commercial multi-peril in New York and was a top ten writer in New Jersey and Connecticut.
- Consistent effort to attain geographical diversification since 2003. In 2020, more than 15.0% of direct premiums written came from outside the Northeast compared to less than 3.0% in 2003.

Enterprise Risk Management: **Appropriate**

- GNY has a formalized, documented enterprise risk management (ERM) process with the stated goals of preserving capital and maintaining financial stability.
- The group utilizes a risk committee that re-evaluates ERM guidelines on a quarterly basis and an audit committee that ensures compliance with stated risk tolerances and manages changes pertaining to the ERM program.
- Audits are conducted on particularly risky areas of the business at least every 12 months and on all other areas at least every two years.
- Special focus is given to coastal exposures, terrorism, and cyber risks. Examples include restricting the definition of coastal exposures, avoidance of "trophy" risks, and the utilization of a chief information security officer.

Outlook

- The stable outlooks reflect the expectation that the group will maintain a balance sheet strength assessment in the strongest range over the intermediate term and that a trend of deteriorating operating results does not develop.

Rating Drivers

- Negative rating action could occur if a strongly adverse event or events result in a material reduction of risk-adjusted capitalization.
- Negative rating action could occur if there is a significant deterioration in operating results.

Credit Analysis

Balance Sheet Strength

Capitalization

Greater New York Group maintains a "strongest" level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% confidence interval. Surplus was almost \$600.0M at Q3 2021 and continues to grow at a consistent rate. Minimal reliance on reinsurance.

Balance Sheet Strength (Continued...)

Asset Liability Management - Investments

Conservative investment portfolio with little exposure to high risk assets. Invested assets of \$1.4B at year-end 2020 compared to \$1.2B at year-end 2019. At year-end 2020, bond and cash and equivalents constituted 91.1% of the portfolio with stock making up 8.4% and other invested assets representing 0.5%. Overall credit quality remains strong with average rating of AA-.

At year-end 2020, average high-risk assets to capital and surplus per PC Benchmarking tool. High-risk assets allocation comprised entirely of \$30.0M of Class 3-6 bonds.

Reserve Adequacy

GNY carries a reserve position that exceeds the midpoint calculated by an independent actuary. Steadily increasing losses and expenses in the last five years largely as a result of increased premium volume. The group raises reserves every year accordingly.

Commercial multi-peril makes up the bulk of total reserves totaling 88.2% of reserves at year-end 2020. Workers' compensation represents most of the remaining reserves at approximately 9.3%. The remaining 2.5% is split between nine other lines of business. Portfolio of risks is largely short-tailed with workers' compensation making up less than 5.0% of premiums written since 2008.

Loss reserve development since 2011 has been mixed. Adverse loss reserve development from 2013 through 2016 on an accident-year basis and adverse development in 2011 and 2014 through 2018 on a calendar-year basis. Higher adverse development in 2014 and 2015 on an accident-year basis and 2015 and 2016 on a calendar-year basis was due to an increase in the severity of slip and fall claims.

Operating Performance

Five-year average combined ratio of 97.1% compares favorably to the composite average of 103.9% driven by a consistently low expense ratio. Five-year average loss and loss adjustment expense ratio modestly higher than the composite average while the five-year average expense ratio is considerably lower. Low volatility in results.

GNY compares favorably to the composite on pre-tax return measures. Five-year average pre-tax return on revenue of 8.7% and five-year average pre-tax return on equity of 6.1% compared to 3.1% and 1.4% respectively for the composite. Five-year average total ROR of 8.0% and five-year average total ROE of 5.9% compared to 13.0% and 5.9% respectively for the composite.

Significant increase in net premiums written in the last five years growing to \$536.9M at year-end 2020 from \$286.7M at year-end 2016. Five-year increase of 97.1%. Double-digit NPW growth in each year since 2017 including 23.2% in 2019 and 20.4% in 2020. A large part of recent NPW growth has been a broadening of group's geographic profile with significantly increased writings in the Midwest in particular. Strong surplus growth over the same time frame has supported NPW growth.

Business Profile

Greater New York Group is a niche underwriter of commercial real estate, light industrial, office building, and restaurant risks. The group is heavily concentrated in commercial multi-peril which accounted for 97.1% of net premiums written 2020. Workers' compensation comprised 1.9% of NPW with the remaining 1.0% split between commercial auto liability, homeowners', auto physical damage, fire, allied lines, and other liability.

GNY is a regional writer that writes most of its business in the Northeast. New York is the group's largest state and represented 53.4% of direct premiums written in 2020. Other major states include New Jersey (12.6% of DPW in 2020), Illinois (8.7%), Massachusetts (6.0%), and Connecticut (5.5%). The group is a top ten writer of commercial multi-peril insurance in New York, New Jersey, and Connecticut.

GNY also has a minor presence in 11 other states and Washington, D.C. The group has a negligible amount of premium that originates from five other states, however these states combined account for less than 0.1% of the group's DPW.

Enterprise Risk Management

Greater New York Group has a formalized, documented enterprise risk management program. The overall goals of the ERM program are to preserve capital and maintain financial stability. ERM is a constantly evolving process for the group that includes regular reporting, frequent revisions to guidelines, and quarterly management review. GNY involves a risk committee, an audit committee, and

Enterprise Risk Management (Continued...)

the board of directors in decisions related to ERM. Exposures are monitored relative to the group's set risk tolerances and recommendations are made to the board of directors.

Various tools are used in the assessment of risks, including mapping, modeling, and RiskMeter. Rigorous underwriting guidelines pay consideration to natural catastrophes such as wind, tornadoes, hail, floods, and earthquakes. Damageability factors are based on averages and can vary widely from one risk portfolio to another. GNY uses sublimits and deductibles extensively to further protect itself from CAT losses.

The group is very responsive to emerging cyber risks. GNY's chief information security officer manages cyber risk and has introduced a number of safeguards in doing so. Safeguards include a security firewall, content filters for web browsers, and anti-virus and malware scanning. The group also has two data scientists to solve new data challenges and uses hackers to perform network penetration tests on its computer systems.

GNY has both a comprehensive reinsurance program and a business continuity plan.

Reinsurance Summary

Greater New York Group maintains a broad reinsurance program that provides several different coverages. Policies include property CAT, property per risk, casualty, and aggregate terrorism excess of loss.

GNY's aggregate terrorism policy may be applied to property and/or casualty losses at the sole discretion of the group following a terrorism loss event. The limit covers events not certified by the Treasury and applies to any line after a loss. The policy is particularly useful to GNY because of the group's significant terrorism exposure.

The reinsurance program is placed entirely with highly rated reinsurers and excludes alternative capital such as hedge funds. GNY carries an adequate amount of reinsurance compared to its exposures.

Financial Statements

	9-Months		Year End - December 31			
	2021		2020		2019	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	50,282	2.9	69,429	4.3	41,074	3.0
Bonds	1,328,357	75.8	1,172,442	73.4	1,039,566	74.7
Preferred and Common Stock	147,071	8.4	114,522	7.2	104,671	7.5
Other Invested Assets	9	...	...	...	11	...
Total Cash and Invested Assets	1,525,718	87.1	1,356,393	84.9	1,185,322	85.2
Premium Balances	151,191	8.6	170,900	10.7	142,664	10.3
Net Deferred Tax Asset	22,643	1.3	21,376	1.3	17,786	1.3
Other Assets	52,623	3.0	49,205	3.1	46,047	3.3
Total Assets	1,752,176	100.0	1,597,874	100.0	1,391,818	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	451,909	25.8	375,779	23.5	346,012	24.9
Net IBNR Loss Reserves*	300,817	17.2	130,646	8.2	61,536	4.4
Net LAE Reserves	...	...	133,933	8.4	104,566	7.5
Total Net Loss and LAE Reserves	752,726	43.0	640,358	40.1	512,113	36.8
Net Unearned Premiums	332,616	19.0	317,349	19.9	264,866	19.0
Other Liabilities	68,125	3.9	60,645	3.8	58,473	4.2
Total Liabilities	1,153,467	65.8	1,018,352	63.7	835,452	60.0
Unassigned Surplus	597,009	34.1	577,823	36.2	554,666	39.9
Other Surplus	1,700	0.1	1,700	0.1	1,700	0.1
Total Policyholders' Surplus	598,709	34.2	579,523	36.3	556,366	40.0
Total Liabilities and Surplus	1,752,176	100.0	1,597,874	100.0	1,391,818	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

Last Update

December 17, 2021

Identifiers

AMB #: 003326

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Property/Casualty business of AMB#: [000438 Greater New York Mutual Insurance Company](#).

AMB#: [000438 Greater New York Mutual Insurance Company](#) has been assigned as the AMB Group Lead for this consolidation and should be used to access name, address, or other contact information for this AM Best Consolidated Group.

Financial Data Presented

See [LINK](#) for details of the entities represented by the data presented in this report.

Greater New York Group

Operations

Date Incorporated: August 19, 1927

Domiciled: New York, United States

Business Type: Property/Casualty
Organization Type: Mutual
Marketing Type: Independent Agency

Best's Credit Ratings

Rating Relationship

This group represents an AM Best Rating Unit. In our opinion, companies under this Rating Unit have a Superior ability to meet their ongoing insurance obligations and a Superior ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: December 14, 2021

Rating rationale and credit analysis can be found in the [Best's Credit Report for AMB# 003326 - Greater New York Group](#).

AMB#	Rating Unit Members	Best's Credit Ratings	
		Financial Strength Rating	Long-Term Issuer Credit Rating
013589	GNV Custom Insurance Co	A+	aa-
020982	Greater Mid-Atlantic Indem Co	A+	aa-
020981	Greater Midwestern Indem Co	A+	aa-
000438	Greater New York Mutual Ins Co	A+	aa-
003327	Ins Co of Greater New York	A+	aa-
012384	Strathmore Insurance Company	A+	aa-

Management

Administration of affairs is under the direction of Ms. Elizabeth Heck, chairman, 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 lead director 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.

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.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do 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. A Financial Strength Rating 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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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