

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 New York Mutual Ins Co	A+
Ins Co of Greater New York	A+
Strathmore Insurance Company	A+



Best's Credit Rating Effective Date

November 18, 2020

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)

<p>A+</p> <p>Superior</p>
<p>Outlook: Stable</p> <p>Action: Affirmed</p>

Issuer Credit Rating (ICR)

<p>aa-</p> <p>Superior</p>
<p>Outlook: Stable</p> <p>Action: Affirmed</p>

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
 013589 GNY Custom Insurance Co
 000438 Greater New York Mutual Ins Co

AMB # Rating Unit Members
 003327 Ins Co of Greater New York
 012384 Strathmore Insurance Company

Rating Rationale

Balance Sheet Strength: **Strongest**

- Strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) scores at the 99.6% confidence interval.
- Consistent, positive pre-tax operating income and net income in recent years.
- Conservative investment portfolio with a greater than 90.0% allocation to high credit quality bonds and cash and short-term investments.

Operating Performance: **Strong**

- Five-year average combined ratio compares favorably to the composite, driven by a consistently low expense ratio.
- Net premiums written have grown 75.8% in the last five years including double-digit growth in each of the last three years.
- 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.
- Ongoing efforts to increase geographic diversification outside of the Northeast since 2003. In 2019, almost 15.0% of direct premiums written came from outside the Northeast compared to less than 3.0% in 2003 with most of this growth occurring in the Midwest.
- The group has six branch offices and recently began offering cyber and commercial output policies.

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 composed of senior management that re-evaluates ERM guidelines on a quarterly basis.
- GNY updates its Audit Committee every quarter and its board of directors semi-annually concerning the compliance with its stated risk tolerances and changes pertaining to the ERM program.
- Audits are conducted on particularly risky areas of the business at least every 18 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 assessment in the strongest range over the intermediate term with strong operating results contributing to surplus growth needed to support an expanding book of business.

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 level exceeds \$500.0M and continues to grow at a consistent rate. Minimal reliance on reinsurance.

Balance Sheet Strength (Continued...)

Asset Liability Management - Investments

GNY's investment portfolio is comprised of bonds, equity investments, a SEIX loan fund, and cash and short-term investments. Bonds constitute the vast majority of the group's investments. Composition of bonds held in investment accounts include corporate, CMBS, SBA, GNMA, residential mortgage, municipal, FHLMC, and a small amount of other holdings. Minimal investment in Class 3-6 bonds and no Schedule BA assets. Municipal bond holdings have decreased in recent years due to tax law changes, resulting in an increase in corporate bonds, SBA, and FHLMC holdings.

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 87.9% of reserves at year-end 2019. Workers' compensation represents most of the remaining reserves at approximately 11.0%. Portfolio of risks is largely short-tailed with workers' compensation making up less than 5.0% of premiums written since 2008.

Adverse loss reserve development from 2014 through 2017 on a calendar-year basis and adverse development in 2011 and 2013 through 2016 on an accident-year basis. Significant adverse development in 2014 and 2015 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 101.9% driven by a consistently low expense ratio. Five-year average loss and loss adjustment expense ratio modestly higher than composite average. Little fluctuation in loss and LAE, underwriting expense, and combined ratios year-to-year.

GNY compares favorably to the composite on pre-tax return measures. Five-year average pre-tax return on revenue of 9.5% and five-year average pre-tax return on equity of 6.1% compared to 6.1% and 2.9% respectively for the composite. Five-year average total ROR of 8.3% and five-year average total ROE of 5.4% compared to 12.2% and 5.7% respectively for the composite.

Significant increase in net premiums written in the last five years growing to \$446.0M at year-end 2019 from \$272.4M at year-end 2015. Five-year increase of 75.8%. Double-digit surplus growth in each year since 2017 including 23.2% in 2019. Significant surplus growth over the same time frame has supported the increase in NPW.

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 the commercial multi-peril space with 94.4% of net premiums written coming from that line in 2019. Workers' compensation comprised 4.2% of NPW and commercial auto liability, homeowners' multi-peril, auto physical damage, fire, allied lines, and other liability made up the balance.

GNY is a regional writer that writes most of its business in the Northeast. New York is the group's largest state and represented 52.5% of direct premiums written in 2019. New Jersey accounted for about 14.5% of DPW with Massachusetts representing 6.2% and Connecticut 5.5%. The group is a top ten writer of commercial multi-peril insurance in New York, New Jersey, and Connecticut. Significant growth in Illinois since 2014. Illinois grew from the group's fifth largest state in 2017 to its third largest in 2018.

GNY also has a minor presence, between 0.1% and 3.1% of DPW, in 11 other states and Washington, D.C. The group began writing in Michigan in 2018 and Wisconsin in 2019. The group has a negligible amount of premium that originates from six other states, however these states combined account for much 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 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.

Enterprise Risk Management (Continued...)

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

	6-Months		Year End - December 31			
	2020		2019		2018	
	USD (000)	%	USD (000)	%	USD (000)	%
Balance Sheet						
Cash and Short Term Investments	47,542	3.2	41,074	3.0	35,941	2.9
Bonds	1,093,350	74.5	1,039,566	74.7	939,572	76.2
Preferred and Common Stock	97,770	6.7	104,671	7.5	84,620	6.9
Other Invested Assets	...	...	11	...	...	...
Total Cash and Invested Assets	1,238,662	84.4	1,185,322	85.2	1,060,133	85.9
Premium Balances	173,486	11.8	142,664	10.3	117,573	9.5
Net Deferred Tax Asset	19,593	1.3	17,786	1.3	17,262	1.4
Other Assets	36,686	2.5	46,047	3.3	38,618	3.1
Total Assets	1,468,427	100.0	1,391,818	100.0	1,233,586	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	351,834	24.0	346,012	24.9	323,887	26.3
Net IBNR Loss Reserves*	206,453	14.1	61,536	4.4	38,968	3.2
Net LAE Reserves	...	...	104,566	7.5	97,744	7.9
Total Net Loss and LAE Reserves	558,287	38.0	512,113	36.8	460,599	37.3
Net Unearned Premiums	305,391	20.8	264,866	19.0	214,134	17.4
Other Liabilities	49,017	3.3	58,473	4.2	39,598	3.2
Total Liabilities	912,695	62.2	835,452	60.0	714,331	57.9
Unassigned Surplus	554,031	37.7	554,666	39.9	517,555	42.0
Other Surplus	1,700	0.1	1,700	0.1	1,700	0.1
Total Policyholders' Surplus	555,731	37.8	556,366	40.0	519,255	42.1
Total Liabilities and Surplus	1,468,427	100.0	1,391,818	100.0	1,233,586	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

Last Update

December 02, 2020

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: November 18, 2020

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-
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, 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.

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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