

BEST'S RATING REPORT



GREATER NEW YORK GROUP

AMB #: 003326

NAIC #: N/A

FEIN #: N/A

Phone: 212-683-9700

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Website: www.gny.com

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



Best's Credit Rating Effective Date

November 07, 2019

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Information

- [Best's Credit Rating Methodology](#)
- [Understanding 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	AMB #	Rating Unit Members
013589	GNY Custom Insurance Co	003327	Insurance Co of Greater NY
000438	Greater New York Mutual Ins Co	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.
- Liquidity, cash flow, and leverage ratios compare favorably to the industry.
- Consistent, positive pre-tax operating income and net income in recent years.

Operating Performance: Strong

- Greater New York Group's (GNY) combined ratio has outperformed the composite on a five-year average basis by more than three points. The ratio has been below 100.0% every year since 2013 while the composite has exceeded this number in each of the last three years.
- Increases to net premiums written (NPW) have led to a five-year CAGR of 9.1% and a five-year change of 54.7%. Double-digit growth in NPW in each of the last two years.
- Since 2014, GNY has had a tight focus on expense management, which has aided in increasing profitability. The group's underwriting expense ratio has decreased from 33.7% in 2013 to 29.2% in 2018.

Business Profile: Neutral

- 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 of premium since 2003. In 2003, New York represented about two-thirds of direct premiums written (DPW) and less than 3.0% of DPW originated from outside of the Northeast. By year-end 2018, New York accounted for about half of DPW and the percentage of non-Northeast DPW nearly quadrupled.
- The group has six branch offices, and it 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 on 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 expectations that the group will continue to maintain its strongest level of risk-adjusted capitalization and strong operating performance relative to its peer group.

Rating Drivers

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

Credit Analysis**Balance Sheet Strength**

The positive balance sheet assessment is reflective of strong risk-adjusted capitalization, low leverage, excellent liquidity, and solid overall performance in recent years.

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. Liquidity, cash flow, and underwriting leverage ratios compare favorably to the industry and the group has minimal reliance on reinsurance. Double-digit net premiums written growth in recent years is supported by the group's capital position and steady surplus growth.

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, averaging 87.4% over the last three years. Workers' compensation represents most of the remaining reserves at approximately 11.6% over the last three years. Portfolio of risks is largely short-tailed with workers' compensation making up less than 5.0% of premiums written since 2008.

Balance Sheet Strength (Continued...)

There was adverse loss reserve development on a calendar-year basis in 2015 and 2016, but favorable development in all other calendar-years since 2009. Significant adverse development in 2014 and 2015 accident years was due to an increase in the severity of slip and fall claims. Adverse development in the 2016 accident year was minor and development was favorable in the 2017 accident year.

Operating Performance

Combined ratio below 100.0% in every year since 2013. Loss and loss adjustment expense ratio below 70.0% in every year over the same time period. GNY's five-year average combined ratio and loss and LAE ratio both outperform the composite by more than three points.

The group has reported net income in nine of the last ten years with 2011 being the exception. GNY's operating performance in recent years has been buoyed by higher premium rates, favorable market conditions, and milder weather patterns. Higher deductibles and yearly rate increases further support operating performance.

Net premiums written increased by more than 10.0% in each of the last two years. Five-year Cagr of 9.1% and five-year change of 54.7%. Another 16.0% increase in NPW is expected for 2019. Capital position and surplus growth is supportive of premium growth. Retention ratio is consistently high and was 96.0% in 2019.

The group trails the composite on pre-tax return on revenue, total ROR, pre-tax return on equity, and total ROE. All of these metrics trail the composite by around three points on a five-year average basis, however all have improved over the prior five-year period. Net investment yields similarly trail the composite. Yields are consistent at around 2.5% every year since 2013 and are reflective of the group's conservative investment portfolio.

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 about 95.0% of net premiums written coming from that line. Around 4.0% of NPW comes from workers' compensation with commercial auto liability, homeowners' multi-peril, auto physical damage, fire, allied lines, and other liability making 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 represents around 53.0% of direct premiums written. New Jersey accounts for about 17.0% of DPW with Massachusetts representing slightly more than 6.5% and Connecticut 6.0%. 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, especially in 2018. 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 2.5% of DPW, in 11 other states and Washington, D.C. The group began writing in Michigan in 2018 and Wisconsin in 2019. GNY has introduced several new products in recent years and is further looking to increase its product offerings in 2019 and beyond.

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.

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

Enterprise Risk Management (Continued...)

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 renews on a two-year basis with 2020 being the first year of the new contract. The 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			
	2019		2018		2017	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	37,430	2.9	35,941	2.9	42,148	3.6
Bonds	975,940	74.5	939,572	76.2	857,109	73.9
Preferred and Common Stock	96,980	7.4	84,620	6.9	106,323	9.2
Total Cash and Invested Assets	1,110,350	84.8	1,060,133	85.9	1,005,580	86.7
Premium Balances	144,725	11.1	117,573	9.5	101,676	8.8
Net Deferred Tax Asset	16,467	1.3	17,262	1.4	13,811	1.2
Other Assets	37,895	2.9	38,618	3.1	38,935	3.4
Total Assets	1,309,436	100.0	1,233,586	100.0	1,160,002	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	327,478	25.0	323,887	26.3	309,628	26.7
Net INBR Loss Reserves*	149,510	11.4	38,968	3.2	26,973	2.3
Net LAE Reserves	97,744	7.9	94,763	8.2
Total Net Loss and LAE Reserves	476,988	36.4	460,599	37.3	431,365	37.2
Net Unearned Premiums	250,318	19.1	214,134	17.4	184,102	15.9
Other Liabilities	42,490	3.2	39,598	3.2	41,355	3.6
Total Liabilities	769,795	58.8	714,331	57.9	656,821	56.6
Unassigned Surplus	537,941	41.1	517,555	42.0	501,481	43.2
Other Surplus	1,700	0.1	1,700	0.1	1,700	0.1
Total Policyholders' Surplus	539,641	41.2	519,255	42.1	503,181	43.4
Total Liabilities and Surplus	1,309,436	100.0	1,233,586	100.0	1,160,002	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

Last Update

November 26, 2019

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 07, 2019

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	Insurance Co of Greater NY	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.

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