

# Dryden *review*

**April 2006**

This newsletter is intended to discuss issues of general interest to Dryden Mutual agents. This letter is written as the rough equivalent of what would be covered in a current marketing visit from our professional staff. Please try to share this letter with the people in your agency that work with Dryden Mutual.

If you would like to receive the Dryden Review via email, please visit our website at [www.drydenmutual.com](http://www.drydenmutual.com). Click on "Agents Only" and then "Dryden Review via Email". If you would like more than three individuals in your organization to receive the Review, please email Andrea Miceli at [andrea@drydenmutual.com](mailto:andrea@drydenmutual.com).

## **SUMMARY of KEY FINANCIAL STATISTICS REPORTED by DRYDEN**

The following financial numbers are identical to those submitted to the National Association of Insurance Commissioners (NAIC) and the New York State Insurance Department on our Annual Statements filed for the past 5 consecutive years. It should be obvious that 2005 was another outstanding year even when compared to a long string of great years for Dryden Mutual. A key issue to note below is that Dryden Mutual was able to grow policyholder surplus at a much faster rate than it grew net written premium in 2005, and thus improved the important net leverage ratio again (note: \*12-31-04 was re-filed with an amendment which increased assets and surplus).

	<b><u>12-31-01</u></b>	<b><u>12-31-02</u></b>	<b><u>12-31-03</u></b>	<b><u>12-31-04</u></b>	<b><u>12-31-05</u></b>
Direct Premium Written	\$19,639,666	\$25,401,823	\$31,862,668	\$35,186,899	\$38,033,867
YTD DPW Growth Rate	+ 19.16%	+29.34%	+25.43%	+10.43%	+ 8.09%
Net Premium Written	\$17,666,765	\$23,424,804	\$29,550,144	\$33,067,106	\$36,728,343
Net Admitted Assets	\$33,918,196	\$41,936,224	\$48,898,453	* \$66,584,594	\$76,855,850
Policyholder Surplus	\$13,110,970	\$15,316,575	\$17,046,465	* \$29,097,922	\$34,526,852
Net Leverage (NPW/PHS)	1.35 to 1	1.53 to 1	1.73 to 1	1.17 to 1	1.06 to 1
<b>Combined (Trade) Ratio</b>	<b>96.76</b>	<b>91.72</b>	<b>88.45</b>	<b>79.30</b>	<b>81.86</b>
A.M. Best Rating	A-	A-	A-	A-	A-

## **A.M. BEST RENEWS A- RATING for DRYDEN for 2006**

On March 6, 2006 A.M. Best released their renewal rating for Dryden Mutual's "A-" (Excellent) financial rating with the important addition of the qualifier phrase of a "positive rating outlook." The high levels of premium growth achieved by Dryden Mutual in the hard market years 2001 through 2003 produced great results for the company, but the growth also put "stress" on our net written to surplus financial leverage ratio as we climbed from a 1.18 to 1.00 ratio at the end of 2000 all the way up to 1.73 to 1.00 by the end of 2003. No matter what rating agencies like A.M. Best say about the sophistication of their own financial analysis formulas, they basically "love" insurance companies whose financial leverage ratio falls below 1.00 to 1.00, and generally restrict superior ratings for smaller companies in Upstate New York to those with lower leverage ratios. However, as illustrated above,

Dryden Mutual successfully maneuvered back towards relatively safe leverage territory by the end of 2004, and certainly improved on that ratio again in 2005 to the best level since our conversion to statutory accrual accounting occurred in 1984. Apparently, there is now some justification in A.M. Best's collective mind (i.e. a 5 year combined ratio of 85.95) to finally add the new qualifier of a "positive rating outlook."

### **LANDLORDS UNDERWRITING CHANGE**

Effective immediately, Dryden Mutual underwriters are reverting to only requiring a minimum Landlords Package coverage A to meet 80% of replacement cost. No one really knows what 100% of replacement cost is in 2006 because of the ongoing crisis in the costs of building materials diverted to rebuild the Gulf Coast after a long string of devastating hurricanes in 2004 and 2005. Since Landlord risks are usually older structures purchased for investment income, there is less of a desire to protect these properties for full replacement cost (even if that could be accurately determined), so Dryden Mutual will no longer try to require 100% of replacement cost on new applications for the Landlords Package. Historically, the Landlords Package on rental 1-4 family structures has been a very good product line for Dryden Mutual and we want to make it as reasonable as possible to place more of that business with our company going forward.

### **CONTINGENCY COMMISSIONS**

Dryden Mutual's management staff has been delivering generous contingency commission checks to our agents during the past several weeks. Dryden Mutual is a relatively small company in a vast market, but we still seem to hold the record in New York State for returning the highest percentage of our direct premiums written to agents as profit sharing at **5.27%** of our total 2005 direct premiums. Compare this percentage to a national industry survey for 2003 that reported an average of only 1.04% of direct written premiums returned as contingency commissions by the top 60 companies in the United States.

But, it is also clear that there are potential pressures to redesign contingency contracts. A.M. Best consistently criticizes Dryden for having an elevated expense (i.e. commission) structure. In addition, the recent scandals among large national brokers have given all contingency arrangements a bad name. The coming election for a new governor in New York State may very well bring in a new Insurance Commissioner who will change the landscape on traditional contingency commission compensation arrangements. Some redesign may be necessary for 2007 or 2008, but it is still Dryden Mutual's ongoing intent to provide financial incentives for creating, growing and protecting profitable books of business in each agency.

### **AGENCY IDENTIFICATION = FASTER PROCESSING**

In this day of high-tech communications it is hard to believe that one of the great mysteries of sorting through requests for quotations and new business applications at Dryden Mutual in early 2006 is still the question of who exactly is asking for the quote or the policy. Dryden is dealing with 262 active agency locations across Upstate New York, some of which operate under a single agency name. Many hours are spent by our staff in trying to figure out whom and at what location is requesting us to do something.

Solution? Always use your location's assigned 3 digit agency code in all your communications to allow the company to speed up its communications back to you. If you don't know the code assigned to your location by Dryden Mutual, just call any underwriter or Nicole Temple in our Marketing Department.

### **WHAT is DRYDEN MUTUAL WRITING as NEW BUSINESS in 2006?**

Past Agency Advisory Boards have told us to keep publicizing a list of risks which are being written in the current market by Dryden Mutual. The following “hot-list” has changed very little in the past decade because we continually address the same types of hard to place risks in Upstate New York. This list describes typical commercial and personal lines risk that are still being written by Dryden Mutual in the first three months of 2006.

### Commercial Lines

ANTIQUA DEALERS in Stores and at Shows	LOGGERS (not tree trimmers]
APARTMENTS (5+ Family Units )	MINI MARTS with Gas Pumps
BEAUTICIANS, BOOTH RENTAL OPERATORS and	MIXED MERCANTILE AND APARTMENT
BEAUTY SALONS with TANNING BEDS	OCCUPANCIES
BED & BREAKFAST OPERATIONS (5 or more	MOBILE HOME PARKS & DEALERS
Guestrooms]	OFFICE MACHINE INSTALLERS [phones, computers,
BLACKTOP SEALERS & PAVERS	audio visual, etc.]
BOAT REPAIR FACILITIES	OFFICES on BOP with Low Minimum Premiums (\$350
BUILDERS RISK [Commercial Buildings]	Special Form]
CABINET MAKERS	PAINTING CONTRACTORS
CAR WASHES [both Attended & Unattended]	PIZZA & SUB SHOPS
CARPET INSTALLERS	PLUMBERS
CARPENTERS & Mixed Carpentry with Other M&C	RESTAURANTS (both Family Style and those Serving
Classes	Alcohol] – New Operations OK
CIVIC CLUBS (Charitable, Collectors, Historical,	RESTAURANTS with WATERFRONT DOCKING
Kiwanis, Lions, Rotary, Sport Supporters, etc.]	EXPOSURES
COMPUTER SOFTWARE DESIGNERS	RURAL CEMETERY ASSOCIATIONS
CRAFT VENDORS at Regional Markets & Shopping	SANDWICH & SUB SHOPS
Malls	SATELLITE DISH SALES & INSTALLATION
DINERS (Frame, Ansul or No Ansul System, &	SAWMILLS (Smaller Operations]
Unprotected Frame]	SEASONAL VENDORS (Hot Dog Carts, Ice Cream, etc.)
DRYWALL CONTRACTORS	SEASONAL COMMERCIAL BUSINESSES
ELECTRICIANS	SEPTIC TANK INSTALLERS
ESTATE PROPERTIES	SIDING CONTRACTORS
EXCAVATORS	SMALL MARINAS, DOCKS & GAS SALES
GARAGES (Fire & OL&T – No Garage Liability]	SPORTS BARS (with Assault & Battery Exclusion]
GARAGE DOOR INSTALLERS	STORAGE BUILDINGS, BARNs & SHEDS
GIFT SHOPS	STUDENT HOUSING
GLAZIERS	SURVEYORS
GOLF DRIVING RANGES/PRO-SHOPS/PUBLIC GOLF	TAVERNS (Packaged in SMP with Assault & Battery
COURSES	Exclusion]
GRAVEL PIT OPERATORS	TRUCKING OFFICES (Premises Only]
HUNTING CAMPS	VACANT COMMERCIAL BUILDINGS
IN-HOME SMALL BUSINESSES	VENDORS at Mall Shows, Flea Markets, etc.
INTERIOR DECORATING SERVICES	WALLPAPER INSTALLERS
JANITORIAL SERVICES	WELDING CONTRACTORS
LANDSCAPERS [no tree trimming]	WOODWORKERS
LESSORS RISK COMMERCIAL BUILDINGS	
[including Restaurants & Taverns]	

## Personal Lines

BED & BREAKFAST OPERATIONS (Owner Occupied up to 4 Guestrooms)  
BOATS up to 39 Feet and \$150,000 in Value  
BUILDERS RISK (1-4 Family Structures)  
CORPORATE AND PARTNERSHIP-OWNED 1-4  
FAMILY RENTAL PROPERTIES  
DAY CARE (licensed) up to 8 Children in HOMES,  
MOBILE HOMES & APARTMENTS  
DOUBLEWIDE MOBILE HOMES ON PERMANENT FOUNDATIONS written on HOMEOWNERS FORM  
ESTATE PROPERTIES  
HIGH-DEDUCTIBLE HOMEOWNERS  
HIGHER VALUE HOMES ON PREFERRED ALL-RISK BUILDING & CONTENTS ML-5 FORM  
HOMES with In-Home Businesses  
HOMES WITH MINOR FARM/FARM ANIMAL/HORSE EXPOSURES  
HOMEOWNERS who want "VIP" endorsement (ML-152) Disaster Perils  
LANDLORD PACKAGES (1-4 Family Rental Dwellings]

LOG HOMES  
MOBILE HOMEOWNERS [especially Newer Units ]  
OUT-OF-STATE LANDLORDS with Local Caretakers  
RENTERS with ML-1524 = Broadest renters coverage in USA!  
RENTERS in Mobile homes, on Farms, Apartments  
RESIDENTIAL FIRE & OL&T Risks (Lower Value Rental Properties]  
SEASONAL HOMES on Fire and OL&T Forms  
SKI-DOO WATERCRAFT PHYSICAL DAMAGE  
SNOWMOBILE PHYSICAL DAMAGE  
STUDENT RENTERS in Dorms and Off-Campus  
TENANT-OCCUPIED MOBILE HOMES under Residential Fire Program  
UNMARRIED COUPLES (Opposite or Same Sex both as Named Insureds - Homeowners & Tenants]  
VACANT 1-4 FAMILY BUILDINGS under Residential Fire Program

## UNITED WAY in YOUR COMMUNITY

Most companies historically restrict charitable giving to causes and organizations in and around their corporate home offices because that is where the home office decision-makers live and work themselves. The problem with this pattern is that most retail store chains and insurance companies do business across vast areas of states and often across many state borders. The ethical question arises that if a company is doing business in so many localities, how is it that these companies can logically restrict local charitable giving and not try to allocate some corporate donations back into the very communities from which their profits are generated in the first place???

Since Dryden Mutual is one of those entities that does business in many communities spread out across virtually all of Upstate New York, we decided to actually do something about this inequity. Our choice is something that few other corporations will ever do in terms of attempting to equitably distribute their charitable giving. In late 2005, Dryden Mutual made a corporate donation to the United Way of Tompkins County based in Ithaca as we have for many years because Dryden Mutual's employees work in Tompkins County and almost all make personal donations as well. However, the Dryden Mutual corporate donation in late 2005 was much larger than in the past and the new twist is that we instructed the United Way of Tompkins County to turn around and re-distribute Dryden Mutual's elevated cash donation among **40 other** United Way organizations in each area of New York State in which the company actually writes substantial business.

At this writing, Dryden Mutual is receiving a steady stream of letters from rather startled United Way chairman from all across Upstate New York (literally from Jamestown to Plattsburg) who are just now receiving notice of their share of these re-distributed contributions. All of these local United Way executives are so surprised because it is so rare to see an organization from outside their community actually make a local contribution, and they are even more surprised because most of them have never even heard of Dryden Mutual! Take a moment to call all the local United Way chair and take credit that your agency is doing something to help them by representing Dryden Mutual in their community.

The same corporate giving pattern is already budgeted for 2006 by Dryden's management staff. As our agents, please be aware that you and your insureds are sending premiums to an insurance company that actually turns around and re-invests some of the profits from those same premiums right back into your own community's welfare. So, as if you needed yet another reason for placing business with Dryden Mutual, now you have one more!

## **WEBSITE UPDATE**

Dryden Mutual is pleased to announce that we have added yet another dimension to our website ([www.drydenmutual.com](http://www.drydenmutual.com)). This addition brings our website agency visitors to a library of specific Dryden Mutual applications, Dryden Mutual questionnaires and all Dryden Mutual product manuals, each in Adobe PDF formats. To access, just click on the "Agent's Only" tab on the Dryden Mutual home page at [www.drydenmutual.com](http://www.drydenmutual.com). There are no annoying passwords or user ID's required to reach this data since it is considered public information.

Clicking on the name of the document you want automatically launches your default Adobe application. For the highest compatibility, you may want to download the most current version of Adobe Reader. A link to Adobe Reader Download is provided from the web page itself.

Dryden Mutual applications and questionnaires may be completed in Adobe, then printed and faxed to our office. Each file can be saved in its original format on your local Personal Computer. They can then be opened locally and completed without having to return to the Dryden Mutual website. Unfortunately, completing these forms with the Adobe Reader free software has inherent limitations. Saving the file does not automatically save the data you enter and e-mailing the file does not e-mail the data you entered. Should you logically desire the ability to save and email these forms with the data you enter intact, you will need to purchase or upgrade to Adobe Acrobat Standard 7.0 (older versions of Adobe Acrobat do NOT provide saving and emailing capabilities).

The various Dryden Mutual product manuals are read-only PDF files, but also can be saved directly to your agency's local networks or to individual local personal computers. It could actually be time to phase out the big 3 inch red Dryden Mutual binder in your cabinet! Don't forget that we also provide a complete library on our website of all the Underwriters Rating Bureau (URB) forms used on Dryden Mutual policies. Since URB forms often differ from ISO forms, such a library is quite useful.

If you have questions or run into specific problems, please give Peter Thorp (extension 247) or Andrea Miceli (extension 294) a call at Dryden Mutual. They are always happy to hear from you and get your feedback!

[In the interests of public understanding and corporate transparency required by Federal legislation under the Sarbanes-Oxley Bill, please be advised that Dryden Mutual is a very minor stockholder of Adobe Systems Incorporated. Our sole motivation for recommending Adobe Acrobat Standard 7.0 is that we believe their product to be the only available product for the purpose listed].

## **DAVE IADANZA ELECTED to ASSISTANT VICE PRESIDENT**

At the re-organizational meeting following the 146<sup>th</sup> Annual Meeting of Dryden Mutual policyholders on February 21, 2006, the directors of the company elected David D. Iadanza, CPCU, AAI, CIC to hold the officer title of Assistant Vice President. Dave's new business card will actually read "*Assistant Vice President of Marketing.*" Peter Thorp will still keep the title of Senior Vice President & Marketing Manger, but Dave will continue to expand his roles as the day-to-day face of Dryden Mutual for the majority of our agents in Central and Western New York. The Board felt that Dave deserves to represent Dryden Mutual with an officer title at his meetings with our agency representatives. Please join us in congratulating Dave.

**Robert B. Baxter, CPCU, CIC**  
**CEO & General Manager**