



Dryden review

12 Ellis Drive • Dryden, NY 13053 • www.drydenmutual.com

JANUARY 2010 HAPPY NEW YEAR EVERYONE!

This newsletter is intended to discuss issues of interest to agencies who represent Dryden Mutual. Please share this letter with those people in your agency who work with our company on a daily basis.

SESQUICENTENNIAL CELEBRATION INVITATION

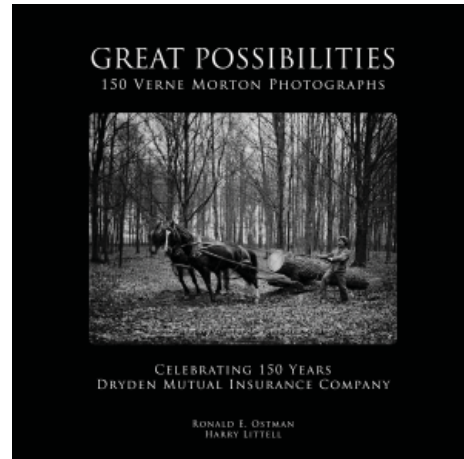
Dryden Mutual will officially celebrate its' 150th year in business with an open house at our office on Friday, May 7, 2010. We launched the celebration by mailing every agency a copy of our 150th anniversary publication entitled "Great Possibilities". The book is a narrated collection of 150 antique photographs taken by one of our former insureds, Mr. Verne Morton. Our company issued its first policies on May 7, 1860, so the symmetry is perfect to open our office to display an amazing collection of beautifully enlarged prints of Mr. Morton's glass plate negatives. Our office will be open to our agents and the public from 10:00 AM to 8:00 PM on May 7th to accommodate work schedules and travel requirements. Food, music and lots of wonderful souvenirs will be offered to all who come and help us celebrate this milestone.

VERNE MORTON BOOKS FOR SALE

Dryden Mutual's sesquicentennial book is a limited edition art publication originally intended just to distribute as a gift to our agencies and associates to celebrate our 150th year in business. However, the book apparently is finding a much wider audience and we are receiving requests on how to buy copies for other reasons. A limited supply of donated copies are available for resale at two local historical societies that helped compile the research done for this publication:

The History Center in Tompkins County
401 East State Street
Ithaca, New York 14850
607-273-8284
Fax 607-273-6107
www.TheHistoryCenter.net

Dryden Town Historical Society
36 West Main Street
Dryden, New York 13053
607-844-9209
www.historyhouse@odyssey.net



Both organizations are only open during limited hours every week, so emailing or contacting them by letter may be the most efficient way of placing an order for a copy of "Great Possibilities." Visit us at www.drydenmutual.com to view the photo gallery online.

PLANS FOR 2010

While the effects of the worldwide financial crisis are gradually fading and American economy slowly creeping forward, the insurance industry will remain in its own recession throughout this new year. Real growth expectations for every insurance company will have to be tempered. In order to remain optimistic, Dryden Mutual's published plan is to anticipate growth somewhere around +2.5% to try to cover the actual anticipated inflation in our expenses. Unfortunately, that is likely to be a real reach. As large amounts of investment-generated capital flowed back into our industry in late 2009, it is certain that competitive market conditions will continue throughout 2010.

A.M. BEST RELEASES ANOTHER "A" RATING FOR DRYDEN

On September 2, 2009, A.M. Best renewed Dryden Mutual's "A" rating. This rating comes with A.M. Best's financial size category (FSC) "VII", which is important to many certificate holders and is a reflection of the statistics outlined in the following item.

SUMMARY OF KEY 2009 FINANCIAL STATISTICS FOR DRYDEN MUTUAL

Our company continues a long run of favorable financial results. This is largely attributed to our niche-underwriting approach and consistent pricing posture during both the hard and soft market conditions in recent years. The following data is identical to that which was submitted to the National Association of Insurance Commissioners (NAIC) and the New York State Insurance Department filed on our quarterly statements for the past 5 years. Although a +1.82% growth in and of itself is not notable, we feel it is quite an accomplishment in an industry that was losing direct premium volume at a -3.5% national rate at the end of the third quarter of 2009.

	09-30-05	09-30-06	09-30-07	09-30-08	09-30-09
Direct Written Premium	\$28,792,987	\$29,919,715	\$30,166,406	\$31,168,665	\$31,734,453
YTD Growth Rate	+8.54%	+ 3.91%	+ .82%	+3.32%	+1.82%
Net Admitted Assets	\$73,887,375	\$84,456,024	\$94,777,647	\$102,205,156	\$111,593,843
Policyholder Surplus	\$33,812,320	\$41,021,839	\$47,611,971	\$ 55,434,404	\$ 61,433,277
Combined (Trade) Ratio	78.43	75.48	80.90	74.95	78.95

RESIDENTIAL COST ESTIMATORS

Dryden Mutual underwriters will continue using the Saylor Publications residential cost estimator in conjunction with Underwriters Rating Bureau (URB). The 2010 PDF version is posted on the website and the Excel Version available in the Dryden Raters program is available for download from the Dryden Mutual website. Although this estimator is never perfect, it is also being used by many other Upstate New York property companies in Dryden Mutual's peer group, so it is the best available to us. We will also continue to accept detailed, current cost estimators provided by other carriers since no one system has a monopoly on coming up with reasonably adequate insurable values.

2010 INFLATION FACTOR ON RENEWALS

To date, our average insurance-to-value on most policies remains far behind the goal of carrying full replacement cost. A +4.0% factor will be applied to 2010 renewals so we are not reducing coverages on structures that already have the inflation guard endorsements pre-set at +4.0% prior to the 2010 renewals.

STAND-ALONE DRYDEN INLAND MARINE PROGRAMS



Dryden Mutual has launched a stand-alone inland marine program that is much broader than anything we have offered in the past. We will continue to offer stand-alone inland marine policies to cover physical damage for snowmobiles, a wide variety of watercraft and many items added as floaters to existing package policies. We will now accommodate many more exposures to address special needs in the market place. Our medical class, for example, addresses mobile equipment such as insulin pumps and hearing aids.

The exposures being addressed have broad elements of both commercial and personal issues. They range from mechanic tools stored at work that are rarely covered by either the employer or personal multi-peril packages to typical floater items that, for a variety of reasons, cannot be added to an existing multi-peril package, such as jewelry, fine arts, musical instruments, etc. One of the hottest new classes is property maintenance equipment, especially where there is a loss payee and the Homeowner carrier refuses to list the lien on their policy.

We are finding that stand-alone inland marine policies can solve a lot of problems for your clients and our \$125 minimum premium actually makes these policies quite attractive as competing programs raise their minimum premiums. Please review the attached rate card for a more complete review of rates, binding limits and acceptable items. You can also call any of our personal or commercial underwriters for more information.

BRANDING IN 2010

In 2006, Dryden Mutual joined IIABA's "Trusted Choice" branding initiative and will continue to support it during 2010. In mid-2008, we also agreed to be part of the PIA's branding program on the main street America theme and will continue supporting it as well. The idea behind Dryden's support for both branding campaigns is to promote the independent agency system, under siege from TV direct sales that try to commoditize the vital nature of intelligent risk transfer.

CONTRACTORS AND "INCIDENTAL ROOFING"



Our company lost one of its cherished beliefs this past summer after two student interns completed an 8 year review of our contracting liability claims. Prior to the survey, our underwriters believed that it was reasonable to accept carpenters who performed "incidental roofing", which accounted for less than 10% of their annual receipts, and charge nothing beyond the filed carpentry rate. However, our interns proved this an unwise belief and that there is no such thing as incidental roofing. In the period 2001-2008, over 41% of all Dryden carpentry liability claims came from roofing work. Even worse, such claims actually accounted for most of the incurred losses for our carpentry class because labor law cases were particularly severe.

Consequently, in a November 18th letter to our agents, we announced that effective on new business after December 1, 2009 and renewals dated February 1, 2010, Dryden Mutual will apply a roofing mixed classification charge on all carpentry risks where an incidental roofing exposure is known to exist as evidenced by an application, certificate or a past roofing claim.

POLICY MANAGEMENT SYSTEM UPDATE

As you may already be aware, Dryden Mutual attempted to implement a new Policy Management System in 2008. Unfortunately, after a great deal of time and effort, the system proved unsuccessful. While this is a setback, Dryden is committed to developing a system that will improve our position in the technology arena and provide greater flexibility for our agents.

TECHNOLOGY - POSITIVE STEPS FORWARD

Despite setbacks, we will continue to push forward and are pleased to announce a few positive steps.

As of November 2009, we are able to deliver agency copies of policy documents via email. PDF versions of Declaration Pages, Change Endorsements, Cancellation Notices, Reinstatement Notices and Reports of Audits can be delivered directly to agency email accounts. To set up your agency, please visit our website at www.drydenmutual.com. Click on Agents Only and then the "Down With Paper Drive" button. You can enter your agent code, the city in which you're located and the commercial and personal email addresses you would like to use.



Once you sign up to receive the above items via email, you will no longer receive your agent paper copy unless you specifically request that the paper be continued. You will, however, continue to receive the insured and mortgagee copy of new and renewal policies that must be forwarded along to the respective parties. Please be aware that we are working very diligently on the programming that will allow us to take over the mailing of renewal policies directly to insured and mortgagees. We'll keep you posted on that progress.

Another positive is that our website has been updated from many of your suggestions for ease of use and navigation. In addition, all of the electronic "completable" files now allow you to save your input data intact. For instructions on doing so, go to "Agents Only" and click on applications.

We are working very hard to catch up to the technology side of the industry and are interested in your input. If you have any questions, comments or suggestions, please don't hesitate to contact Andrea Miceli at (800) 724-0560 Ext. 294 or by email at amiceli@drydenmutual.com.

MILITARY FAMILIES

Although it continues to sadden everyone to repeat this message so often, please join us in wishing a safe return for all of our brave men and women serving in the armed services during these troubled times. All Dryden Mutual underwriters, billing staff and claims adjusters are instructed to accommodate unusual insurance circumstances that the families of deployed military may face in wartime. Our wish for a safe return extends especially to the Army's 10th Mountain Division based near Watertown and to the reserve and national guard units across the state that face extended and repeated deployments to active combat zones.

HAPPY NEW YEAR

The directors and employees of Dryden Mutual wish the best to all our agency staff and their families during this new year. We are grateful for the continued support you provide to our franchise in Upstate New York. Thank you for your part in making 2009 one of the better years in our history. We all look forward to growing this partnership in 2010.

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