Dryden *review*

May 2004

This newsletter is intended to discuss issues of current 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 all the people in your agency that work with Dryden Mutual.

SUMMARY OF KEY FINANCIAL STATISTICS FOR DRYDEN MUTUAL

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 2003 was another very good year for Dryden Mutual. A key issue to note is that Dryden Mutual more than doubled in size from 1999 to 2003.

	12-31-99	12-31-00	12-31-01	12-31-02	12-31-03
Direct Written Premium	$15,095,091	$16,482,014	$19,639,666	$25,401,823	$31,862,668
YTD DWP Growth Rate	+ 5.49%	+ 9.19%	+ 19.16%	+29.34%	+25.43%
Net Written Premium	$13,278,591	$14,670,660	$17,666,765	$23,424,804	$29,550,144
Net Admitted Assets	$26,817,402	$29,904,843	$33,918,196	$41,936,224	$48,898,453
Policyholder Surplus	$11,664,564	$12,477,337	$13,110,970	$15,316,575	$17,046,465
Net Leverage (NWP/PHS)	1.14 to 1.00	1.18 to 1.00	1.35 to 1.00	1.53 to 1.00	1.73 to 1.00
Combined (Trade) Ratio	**99.72**	**98.86**	**96.76**	**91.72**	**88.45**
A.M. Best Rating	A-	A-	A-	A-	A-

FINANCIAL IMPACT OF HIGH LEVELS OF GROWTH ON DRYDEN MUTUAL

From most perspectives, Dryden Mutual has had quite a run of good financial results in the past 5 years as seen in the above chart. The “hard market” that started to unfold in late 1999 and in 2000 really drove Dryden Mutual’s growth rate at a very fast pace in the following 3 years. At the same time, this hard market cycle allowed the company to improve pricing and drive down our combined ratios. The **good news** is that the company literally doubled in size in the 4 years from the end of 1999 to the end of 2003 and was able to record strong profits in all of those years. The **bad news** is that the company doubled in size in only 4 years and had to increase our unearned premium reserves by a staggering amount. All insurance companies face the same growth penalties forced by statutory accounting in which all net growth has to be booked with over a 50% liability reserve which makes high levels of growth very difficult to absorb over long periods of time. What differentiates companies is how they deal with this situation.

	12-31-99	12-31-03	Net Growth
Dryden Mutual Direct Written Premiums	$15,095,091	$31,862,668	+$16,767,577
Dryden Mutual Unearned Premium Reserves	$ 7,887,215	$16,635,445	+$ 8,748,230

To illustrate with an oversimplification extracted from the above numbers, Dryden Mutual had to book all of our net premium growth in the 4 year period from 1999 to 2003 starting with a statutory 52% loss ratio ($8,748,230 / $16,767,577) before we paid expenses, commissions and losses! Strictly from the point of view of our policyholder surplus, this is how we had to literally experience the effects of net growth at Dryden Mutual during the period 1999 to 2003:

15% of Earned Premiums were booked as Company Expenses
25% of Earned Premiums were Agency Commissions (20%) and Contingency Bonuses (5%)
52% of Earned Premiums had to be booked as addition Unearned Premium Reserves
54% of Earned Premiums were allocated to Incurred Loss Ratios (actual 5 year average 1999-2003)

Although the company's actual average statutory combined ratio in the period 1999-2003 was 94 (15% expenses + 25% commissions + 54% incurred losses), our combined ratio on just the new net growth had the effect on surplus of being booked at around a 146 combined ratio (15% expenses +25% commissions +52% net additions to unearned premiums + 54% incurred losses). In order to survive this period of high new business growth, our underlying renewal business had to be extraordinarily profitable and fortunately it was, otherwise we could not have reported the string of great combined ratios and additions to reported above. However, the rapid growth in unearned premium reserves in the 4 years from 1999 to 2003 means that 62% of earned after-tax profits had to be diverted into unearned premium reserves, while only a much lower proportion (38%) ended up reported as additions to policyholder surplus. If you assume that additions to unearned premium reserves come directly from profits (which they do at Dryden Mutual), then the last 4 years played out as follows:

1999-2003 Pure Profits after Taxes	$14,130,404	(100.00%)
1999-2003 Additions to Unearned Premium Reserves:	$ 8,748,503	(61.91%)
1999-2003 Additions to Policyholder Surplus	$ 5,381,901	(38.09%)

WHAT DOES THE IMPACT OF HIGH GROWTH IN 1999 to 2003 MEAN TO OUR AGENTS?

Dryden Mutual is simply running out of the capital needed to support further levels of very high growth. Our plan for 2004 was to grow approximately 15% in 2004, and that is still supportable within our plan, but we are growing at well over an average of +25% through the first four months of the new year. Now, in order to achieve the original growth goal of +15%, it will be necessary for us to slow down our new business writings for at least the remainder of 2004 and very likely into 2005.

As many of you well know, the large national carriers are still trying to improve their books of business by increasing renewal prices, restricting new business writings and continuing to non-renew unprofitable accounts. Over the past 4 years, Dryden Mutual has helped our agency force immensely by entertaining coverage on many classes of business that had been shunned by our larger competitors and our support was important to help get agencies through a difficult period. This support from Dryden Mutual during the recent hard market years was a very profitable move for both us and our agencies, but this position came at a high cost to our surplus because we also doubled in premium size in such a short time. In early 2004 many larger companies have still not expanded their appetites and now many of our smaller peer companies are also slowing their new business writings. Consequently, we have little choice but to also slow down our rate of growth by becoming more conservative in underwriting both new business and renewals.

There is tremendous irony in having to take this more conservative approach in 2004 because this slowing strategy has nothing to do with Dryden Mutual's profitability. Most of our agents have enjoyed record profit sharing contingency payments in the past 4 years, and we are still stringing together back-to-back great combined ratios as seen on the first page of this newsletter. In most industries if you are increasing your market share and enjoying larger profit margins than your competitors, you would keep expanding your operations to maximize profitability. However, in the statutory accounting scheme to which the insurance industry is subject, it is quite undesirable to grow at a fast rate whether or not you are profitable. Too many years of compounding high growth well above industry average growth eventually turns into a red flag to both regulators and financial rating agencies because this pattern can often be a prelude to financial problems.

Despite indications in the trade press that the national property casualty insurance market is "softening" in 2004, the following monthly growth percentages reflect exactly the opposite trend of a steady acceleration in hardening local market conditions that do not yet show any sign of abatement:

January 2004	Net Premium Growth in the Month: +14.30%
February 2004	Net Premium Growth in the Month: +25.76%
March 2004	Net Premium Growth in the Month: +29.59%
April 2004	Net Premium Growth in the Month: +32.96%

If our market is still constricting, Dryden Mutual has no choice but to become more conservative in order to ride out this prolonged period in which a lack of competitiveness dominates our niche product areas. Our underwriters and marketing staff have been tasked with the delicate balancing act of becoming more conservative on new business and renewal decisions while still being positive enough to continue writing enough new business to allow Dryden Mutual to keep growing on a more modest scale.

SURPLUS NOTE

Many company management teams prefer not to publicize it when they bolster capital with surplus notes or new stock offerings. However, Dryden Mutual's style is to try be open about its operations and its finances because we view most of the people reading this newsletter to be our business partners and/or respected competitors. In order to protect our current A.M. Best rating and to keep our markets open going forward, we need to replenish the capital base that was used to shore up our rapid growth in the period 1999 to 2003. The best option available for Dryden Mutual was to join a surplus note pool that is endorsed by one of our national trade associations, the National Association of Mutual Insurance Companies (NAMIC). Unlike a conventional bank loan, a surplus note is a long term note (30 years) whose value can all flow immediately to surplus because it has a unique clause subordinating loan repayment to the interests of policyholders. These particular pooled surplus notes have been approved by the New York State Insurance Department in order to be fully recognized as additions to admitted assets. This surplus note pool allows mutual insurance companies to mimic the ability of stock companies to quickly raise capital by selling new stock. A number of our peer companies in Upstate New York have already issued surplus notes in prior pools in the past 2 years or are in fact joining us in this current pool. The particular challenge to Dryden Mutual is to now slow down the rate of growth in the next several years, thereby reducing the need to add to unearned premium reserves and gradually rebuilding our policyholder surplus. This relatively new method of issuing a surplus note in a pool of mutual companies allows the individual companies to maintain full control of their future, thereby avoiding the traditional downsides to accepting individual (non-pooled) surplus notes in the past.

Does issuing a surplus note mean that Dryden Mutual is in financial trouble? No, we are actually experiencing the best positive cash flow in our history and we will report a reasonable combined ratio (100.45) in the first quarter of 2004 despite a very hard winter. But strong flow of cash profits for an insurance company does not translate to commensurate additions to surplus thanks to the dismal assumptions underlying statutory accounting rules that virtually eat up most of the profits from growth. Our belief is that Dryden Mutual could be heading for trouble in years to come unless we implement decisive preventive actions now to bolster surplus while at the same time slowing down our writings.

WHAT DOES "BECOMING MORE CONSERVATIVE" MEAN IN COMMERCIAL LINES?

The following commercial lines underwriting approaches have already started to change and be implemented at Dryden Mutual. Most of these changes are intended to become more conservative when offered types of businesses where the loss potential is beyond what is anticipated by our rate structure and is often difficult to assess in the first place:

Broker-of-Record Changes: Effective immediately, please call for prior approval before taking over an existing Dryden Mutual account on a broker-of-record letter with a new application. Too often we are finding out that the account was being set for non-renewal and the acquiring agency may also be acquiring a problem.

Dryden Mutual as Prior Carrier: Always call for prior approval to write a risk that is new to your agency when the insured advises that Dryden Mutual has been a prior carrier at some point in the past (especially when there has been a lapse in coverage). All too often, there has been a problem that is only revealed by researching the insured's past after contacting an underwriter.

Failure to Respond to Recommendation Letters: Dryden Mutual has long tried to share loss control recommendations with our insureds as a public service. We have tried to weed out minor issues and only advise insureds of the more serious observations. However, we will begin to aggressively non-renew insureds on the very first renewal if they totally ignore our recommendations.

Grocery & Convenience Stores (Mini-Marts): Effective immediately, these classes can only be written with prior approval from underwriting. We are observing other markets steadily withdrawing from this class and it has never been particularly profitable for Dryden Mutual. The trends in changing ownership are not favorable and these risks offer far more adverse exposure than our current rating plans can support.

Hand-Rails & Steps: Please expect our underwriters to take a harder stance on commercial structures where hand-rails or steps are either missing or in poor repair. Harsh reality is that slip and fall claims are becoming much more common and are hard to defend when steps and hand-rails do not meet code. Commercial risks with 3 or more steps are highly vulnerable when hand-rails are missing or in poor repair. If owners do not care enough to take immediate steps to correct deficiencies, we should not care enough to continue writing liability insurance for these owners.

Heating/Air-Conditioning Contractors: Effective immediately Dryden Mutual will cease to quote this class as new business. HVAC is an increasingly high-tech occupation with exposures not totally contemplated in our rating plans.

Large Buildings: Dryden Mutual will generally become much more conservative quoting commercial coverages on a building over 20,000 total square footage. Full replacement cost exceeds our reinsurance treaties and flat coverage amounts do not generate enough premiums for the true exposures.

Larger Contractors: Dryden Mutual has never been a market for larger contractors. We will be strictly holding to a maximum of 3 active workers (including owners) employees at any time during the year (exceptions still being made for janitorial services and landscapers).

Late Payments: We are asking all agents to call underwriting before accepting a past-due payment <u>after</u> the official lapse date published in the non-pay notice.

Motels: Effective immediately, Dryden Mutual will cease quoting motels as new business with some consideration given to mixed occupancies. This class is difficult at best and almost always under-priced. Historically, motels have produced large general liability claims for Dryden Mutual often from out-of-state travelers.

Non-Pay Re-Writes: Dryden Mutual will generally become much more reluctant to re-write accounts that let coverage lapse for non-pay, or who have a history of late payment notices. We will also be more reluctant when accounts come to us from other carriers when lapsed for non-pay. All such situations need prior approval before binding with Dryden Mutual because we do not want to build a book of accounts who become too expensive to handle even if they are loss-free.

Non-Renewals: Risks with unusual claim frequency, poor pay histories and risks who ignore inspection loss control recommendations will be more aggressively non-renewed.

Rental Cabins: Groups of rental cabins have all of the same adverse characteristics of motels and campgrounds, and Dryden Mutual will cease quoting this class as new commercial business.

Roofers: No more primary residential or commercial roofing contracting operations will be written as new business. We do not believe we are getting adequate rates for this exceedingly difficult class and NYS Labor Law 240 is a key driver behind our decision to avoid primary roofing operations.

Structures Under Renovation: If the building owner is acting as his own general contractor for hiring contractors for the renovation work, Dryden Mutual will not write a building under renovation unless the owner becomes an additional named insured on his contractors policies. Otherwise, the owner becomes directly subject to NYS labor law suits against which we collect no M&C premiums.

WHAT DOES "BECOMING MORE CONSERVATIVE" MEAN IN PERSONAL LINES?

Book Rollovers: Dryden Mutual is simply not in a position to entertain book rollovers of personal property business from another carrier. We do not have enough capacity to try to iron out the many inevitable problems in book rollovers.

Broker-of-Record Changes: Effective immediately, please call for prior approval before taking over an existing Dryden Mutual account on a broker-of-record letter with a new application. Too often we are finding out that the account was being set for non-renewal and the acquiring agency may also be acquiring a problem.

Builders Risk in the Name of Contractors: Effective immediately, Dryden Mutual will no longer write residential fire policies with general liability in the name of the contractor building a house. We can still offer fire coverage only, but we can not afford to offer an OL&T general liability on section II that could pick up labor law exposures on a risk that will only stay in force for 2 to 3 months anyway.

Day Care: Effective immediately on new business and on renewals effective September 1, 2004 we will begin charging for the maximum number of children licensed for family home day care by NYS on each homeowner policy (endorsement ML-326). We know that the number of children varies during a given year, but we can not afford to chase down the information on every renewal, so we will charge for the maximum of the issued license since that is what they are actually licensed to do in their home. Dryden Mutual is still not a market for group day care providers (over 8 children).

C.L.U.E.. Reports: Dryden Mutual underwriters are evaluating claims histories for property owners even at prior residences. Houses themselves generally do not have losses, it is the people living in the house that have the losses (i.e. a leak in a roof often means that the roof was not properly maintained by the occupants as our claim department frequently reports). This is part of our shift away from underwriting just structures towards underwriting the occupants as well.

Credit Histories: Dryden Mutual has began to order credit histories on new business. Although we remain committed to not using credit scoring as the sole reason to decline business, it will still become more of a factor than it was in the past. As other companies increasingly rely on personal credit to underwrite, Dryden Mutual can not afford to let adverse selection build a large book of weak credit history business. For example, a risk being cancelled for non-pay by another company should not be acceptable as new business to Dryden Mutual if the risk also has a poor general credit history.

Homeowner Dogs: The following is an outline of our new position on dogs in owner-occupied and renter policies.

Effective immediately, we require prior approval from underwriting in order to entertain new homeowners applications when 3 or more dogs of any breed are owned and kept on premises.

In addition, we believe that Dryden Mutual has attracted too much of the market for people who own breeds of dogs that were bred for their aggressive tendencies.

We can not afford to keep building a book of owner-occupied structures and renters where people elect to own breeds of dog that generate a disproportionate potential for biting attack claims. Our homeowner and tenant homeowner new business guidelines regarding dogs are immediately changed to not allow liability to be written if the insured owns any of the following breeds at all:

American Bulldog (or Bulldog mixes)
Cane Corso (or mixes)
Chow (or Chow mixes)
Doberman Pinschers (or Doberman mixes)
German Shepherd (or German Shepherd mixes)
Huskies (Akita, Malumute, Samoyed, Siberian Huskies) or mixes
Mastiff/Bullmastiff (or Mastiff mixes)
*Pit Bulls (American Staffordshire Terriers, American Pit Bull Terriers, or Staffordshire Bull Terriers) or Pit Bull mixes
Presa Canarios (or any mix)
Rottweiler (or Rottweiler mixes)

*In addition, we do not intend to write either homeowners property or liability for people who intentionally own any variety of pit bull because we are generally suspicious of what other activity is occurring on or near that premises that has to be protected by such dangerous guard dogs. Our CPL premium is simply not adequate for such exposures.

Rental Property Dogs: The following is a reiteration of our position on dogs on rental properties. Landlords who permit tenants to keep aggressive breeds of dogs on premises are asking for trouble. We will not write liability on either a landlords package or a residential fire policy when we know that one or more of the above breeds of dogs are permitted on premises by the landlord.

*In addition, we do not intend to write either landlords or residential property or liability for people who permit tenants to keep any variety of pit bull on premises because we are suspicious of what other activity is occurring on that premises that has to be protected by such dangerous guard dogs. Our OL&T premium is simply not adequate for such exposures.

Hand-Rails and Steps: Please expect our underwriters to take a harder stance on residential structures where hand-rails or steps are either missing or in poor repair. Harsh reality is that slip and fall claims are becoming much more common and are hard to defend when steps and hand-rails do not meet code. Residential risks with 3 or more steps are highly vulnerable when hand-rails are missing or in poor repair. If owners do not care enough to take immediate steps to correct deficiencies, we should not care enough to continue writing liability insurance for these owners.

Insurance to Value: Effective with new business June 1, 2004 we will start requiring 100% insurance to value to issue new landlords package business at replacement cost rates to parallel our existing position on homeowners package new business. ACV rating plans on both landlords and homeowners package business will still require only 60% insurance to value.

Late Payments: We are asking all agents to call underwriting before accepting a past-due payment after the official lapse date published in the non-pay notice.

Low Purchase Price Dwellings: Effective immediately, Dryden Mutual no longer intends to write residential dwellings as new business when the recent purchase price is under $40,000. In the Upstate New York real estate market, residential dwellings that can be purchased for under $40,000 are generally distressed properties. If renovations are necessary to make such dwellings habitable, it is still our intent to also avoid writing liability because the owners may be acting as their own general contractors and our company will be therefore picking up potential labor law exposures for which we cannot charge an adequate premium.

Non-Pay Re-Writes: Dryden Mutual will generally become much more reluctant to re-write accounts that let coverage lapse for non-pay, or who have a history of late payment notices. We will also be reluctant when accounts come to us from other carriers when lapsed for non-pay. All such situations need prior approval before binding with Dryden Mutual because we do not want to build a book of accounts who become too expensive to handle even if they are loss-free.

Non-Renewals: Risks with unusual claim frequency, poor pay histories and risks who ignore inspection loss control recommendations will be more aggressively non-renewed going forward.

Payment Plans: Existing renewals with poor pay histories will be reviewed for reduction in payment options since some have become chronic late payment abusers.

Vacant Properties: Expect underwriters to closely question renewals that remain vacant for 3 years or more, and they will be questioning both the condition and future intentions for those properties.

DRYDEN MUTUAL CONTINGENCY BONUS PROGRAM

Dryden Mutual distributed agency contingency checks earlier in 2004 that totaled $1,446,459 based on calendar year 2003's outstanding results. This total payout amounted to returning 4.56% of all our collected direct written premiums from calendar year 2003 as a bonus back to our agencies in an industry that averages less than 1% in contingency profit sharing payments to agents. Dryden Mutual's average payout of 4.56% of direct written premiums as contingency commissions was actually a reduction from the 5.75% payout in 2003 from Dryden Mutual based on calendar year 2002 direct written premiums. Even though we implemented a 20% reduction in the formula that took effect in 2003 by making payments on premiums net of paid commissions, our contingency still needs reworking for 2005 because A.M. Best remains critical of Dryden Mutual being such a high net commission company in comparison to our peers.

A note of explanation is worthwhile on what A.M. Best refers to on the tern "net commissions." Dryden Mutual generally pays a 20% commission based on direct written premiums collected. In calendar year 2003, after we pay commissions on direct written premium, we then paid ("ceded") approximately 7.26%
of all direct written premiums to our reinsurer, Swiss Re. Therefore, the net commission ratio for Dryden Mutual contingent commission was 4.92% (4.56%/92.74% retained premiums), and was 21.57% (20.00%/92.74% retained premiums) on regular commissions. This totals out to be a net commission ratio of 26.49% for Dryden Mutual versus the industry average of 12.10% reported by A.M. Best. It becomes obvious why Dryden Mutual stands out for the wrong reasons in the eyes of financial analysts at A.M. Best.

NEW STAFF AT DRYDEN MUTUAL

On January 5, 2004, **Helena Welch** joined Dryden Mutual as our new receptionist in our Policy Service Department. She came to us after working for 21 years at a book bindery in Ithaca. She is a resident of Virgil-Cortland area near Greek Peak. She and her husband are very proud of the 4 children in their family. She was born in Ithaca and has lived her whole life in Tompkins and Cortland counties. We had warned her that property-casualty insurance is a big change from life at a book bindery, but she seems to welcome the challenge!

MOMENT TO REMEMBER DEPARTED INSTITUTIONS

Despite the public perception of insurance as an industry composed of stable monolithic institutions, our part of the American financial sector is a brutal, highly competitive industry where even the most stable large institutions have periodic near-death experiences which either shake them to their core or eventually force them out of business (***). The basic instability of our industry is reflected in the fact that mergers have removed 12 of the 1994 top 50 NYS writers as independent competing companies, and 5 more of the 1994 top 50 were actually forced out of existence one way or another in just the past 10 years. Mergers and insolvencies have therefore removed the independence or the very existence of 1 out of every 3 of the top 50 carrier groups that were doing business in New York State just 10 years ago!

It is also awe-inspiring in mid-2004 to realize that the newly emerging St Paul Travelers Group is really a composite of *5 major carriers (and parts from a **6th and a 7th). Within the past 10 years all of the noted (*) companies were independent competitors in Upstate New York and all ranked among the top 50 insurance carrier independent entities doing business in New York State during 1994 as seen in the chart below extracted from Best DataBase Services. But mergers and insolvencies over the past decade have also resulted in a considerable reduction in competition 10 years later as well as a lot of derailed or ruined individual careers for which a moment of silence should be observed as you read this newsletter (everyone in our business has to know some of the people I am referring to in this reflection unless they just entered our profession).

Names of Entities in 1994	1994 DWP in NYS	1994 NYS Market Share
1. Allstate Insurance Group	$1,882,054,000	8.41%
2. NYS Insurance Fund (WC)	$1,733,214,000	7.75%
3. American International Group (AIG)	$1,547,624,000	6.92%
4. State Farm Group	$1,393,699,000	6.23%
*5. Aetna Life & Casualty Group	$ 937,013,000	4.19%
* 6. Travelers Insurance Group	$ 701,367,000	3.13%
7. ITT Hartford Insurance Group	$ 695,813,000	3.11%
8. Chubb Group of Insurance Companies	$ 650,097,000	2.90%
9. CNA Insurance Companies	$ 609,064,000	2.72%
10. Nationwide Group	$ 584,445,000	2.61%
11. Liberty Mutual Group	$ 561,448,000	2.51%
12. GEICO Corporate Group	$ 541,352,000	2.42%
13. General Accident Group	$ 528,044,000	2.36%
14. Continental Insurance Companies	$ 526,516,000	2.35%
15. Kemper National Insurance Companies	$ 385,023,000 ***	1.72%
* 16. Royal Insurance Group	$ 380,539,000	1.70%
17. Zurich Insurance Group (U.S.)	$ 368,602,000	1.65%

18. Medical Liability Mutual of NY	$ 340,644,000	1.52%
19. Empire Insurance Group	$ 329,762,000 ***	1.47%
20. New York Central Mutual Fire Ins Co	$ 324,980,000	1.45%
21. Fireman's Fund Companies	$ 292,524,000	1.31%
22. Commercial Union Insurance Com.	$ 238,793,000	1.07%
** 23. Reliance Insurance Group	$ 238,671,000 ***	1.07%
24. Utica National Group	$ 237,266,000	1.06%
25. Home Insurance Companies	$ 231,378,000 ***	1.03%
26. CIGNA Group	$ 208,618,000	.93%
27. Metropolitan Group	$ 197,980,000	.88%
28. Progressive Group	$ 195,183,000	.87%
29. Allmerica P&C Companies (Hanover)	$ 189,459,000	.85%
30. Talegen Insurance Groups	$ 172,053,000	.77%
31. American Financial (Great American)	$ 168,979,000	.75%
* 32. St. Paul Group	$ 162,390,000	.73%
33. USAA Group	$ 160,005,000	.72%
34. Prudential of America Group	$ 158,841,000	.71%
** 35. Atlantic Mutual Companies	$ 157,471,000	.70%
* 36. USF&G	$ 140,952,000	.63%
37. Physicians Reciprocal Insurers	$ 126,227,000	.56%
38. PSM Insurance Companies	$ 123,259,000	.55%
39. Eagle Insurance Group (NY)	$ 121,341,000 ***	.54%
40. AMICA Mutual Insurance Company	$ 106,398,000	.48%
41. Electric Mutual Insurance Company	$ 105,733,000	.47%
42. Main Street America Group (NGM)	$ 92,843,000	.41%
43. TIG Holdings Group	$ 85,328,000	.38%
44. Colonial Penn Group	$ 83,961,000	.38%
45. Merchants Insurance Group	$ 83,311,000	.37%
46. MBIA Group	$ 77,468,000	.35%
47. HANYS Insurance Company, Inc.	$ 76,273,000	.34%
48. Harleysville Insurance Companies	$ 74,538,000	.33%
49. Integon Corporate Group	$ 71,008,000	.32%
50. Medical Malpractice Insurance Comp	$ 69,705,000	.31%
Market Share of Top 50 Writers in NYS in 1994		86.99%

Although some of the readers of this bulletin will be upset that we have to become more conservative in our underwriting thinking, it is all being done to make sure Dryden Mutual does not become just a memory like one third of the top 50 companies from 1994 have become within only 10 short years.

E-MAIL TO UNDERWRITERS HAS UPSIDES AND DOWNSIDES

We are finding that e-mail is a very useful communication tool in Dryden Mutual's underwriting function. E-mail is a very quick way to collect answers to underwriting questions and it is a great way to transmit photographs. However, we are also running into serious problems when agency staff use e-mail to ask for quotes and ask for acceptability consideration on an individual risk. The downside to e-mail is that it only gets routed to the specific addressee. If someone in your agency needs a quote or ask an acceptability question it is really much more effective to send a fax request to the company or make a phone call because we can route faxes and phone calls to someone who is actually here at work today. E-mails do not go into any hub at Dryden Mutual where they can be re-routed if someone on our staff is on vacation or out of the office for other reasons (we consider all e-mail as personal, nor corporate business). Instead, e-mails simply back-up until the person to whom you sent the e-mail returns and gets to actually read the e-mail. Our strong advice is to use mail, fax or telephone rather than e-mail when agency staff needs to initiate requests for quotes and acceptability evaluations.

DRYDEN MUTUAL's CONTINUING SUPPORT FOR DEPLOYED MILITARY

Dryden Mutual is continuing to provide whatever support we can to military families in this time of continuing overseas conflicts. Significant numbers of active duty, reserve and national guard military are still being mobilized and deployed overseas from Upstate New York. All of Dryden Mutual's underwriting, claims and billing staff have been asked to continue to make every effort to accommodate insurance situations that could add hardships to deployed military personnel and the families they have to leave behind. Some (but not all) of the specific situations in which we intend to bend our normal requirements are as follows:

(1) The billing department will provide new billing options for military families whose income stream has been interrupted by deployments and call-ups, but we need our agents to alert us and bring such situations to our attention.

(2) Late reporting of claims for deployed military personnel will be accommodated on a case-by-case basis upon identification of such situations by our agents.

(3) Underwriting will reinstate lapsed policies caused by military deployments when the situation is identified by our agents.

(4) We will also suspend adverse underwriting decisions on property occupied by deployed military personnel (repairs, vacancy, etc.)

(5) Designated third party billing (similar to that option offered to senior citizens) arrangements are available to deployed military personnel.

Dryden Mutual's contributions are trivial compared to the sacrifices being made by our volunteer military, but we will continue to do our very best to support them during their service to our country.

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