

December 2007

This newsletter is intended to address issues of general interest to Dryden Mutual agents. It is essentially the written equivalent of a marketing visit from one of our professional staff. Please share this newsletter with those in your agency who work with Dryden Mutual on a daily basis.

DRYDEN MUTUAL'S ART GALLERY



As part of the beginning of our celebration of Dryden Mutual's 150th anniversary in 2010, we have acquired the world's largest collection of artistically enlarged Verne Morton glass plate negative photography. Several samples of Verne Morton's work can be seen in this newsletter and in over 100 prints on display throughout our office. Our complete collection is also available for viewing at www.drydenmutual.com.

Why Verne Morton? He was very likely one of Dryden & Groton Mutual Fire Insurance Company's earliest insureds because he lived on a farm in Groton, New York for his entire life (1868-1945). Almost all of his photographs were images of ordinary life in the one-room schoolhouses where he taught and on the farms surrounding Groton and Dryden at the turn of the last century. He even caught images of one of our young employee's great-great grandparents! These enlarged, highly detailed images of everyday life over one hundred years ago are absolutely unique and riveting. They have fascinated every visitor to date, so consider a visit to our office.

SUMMARY of KEY 2007 FINANCIAL STATISTICS for DRYDEN MUTUAL

The following financial data is identical to that which was 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 years through each third quarter. Dryden Mutual continues a run of favorable financial results that now extends over the past decade.

	09-30-03	09-30-04	09-30-05	09-30-06	09-30-07
Direct Written Premium	\$23,169,637	\$26,528,729	\$28,792,987	\$29,919,715	\$30,166,406
YTD Growth Rate	+ 25.91%	+14.50%	+8.54%	+ 3.91%	+ .82%
Net Admitted Assets	\$46,305,046	\$61,539,005	\$73,887,375	\$84,456,024	\$94,777,647
Policyholder Surplus	\$16,181,987	\$27,693,934	\$33,812,320	\$41,021,839	\$47,611,971
Combined (Trade) Ratio	88.08	77.54	78.43	75.48	80.90

GROWTH PLAN FOR 2008

Nearly the entire industry is experiencing some of the most favorable combined ratios in history! Dryden Mutual definitely wants to place emphasis on finding growth opportunities for 2008, but so does everyone else. These conditions are really just pushing us all further and further into an ever deepening "soft market" cycle. On an optimistic note, our published plan anticipates growth around +3.5% in 2008, just enough to cover the anticipated inflation in our underlying expenses. However, we know it will be a real battle to achieve any sort of growth in most of our agencies.

NEW MARKETING REPRESENTATIVE

If you intend to grow in a difficult market, you have to "put your money where your mouth is." Accordingly, in April 2007, Dryden Mutual hired Steve Parker to be our first marketing representative based in Eastern New York. He is a lifetime resident of Glens Falls. After starting and selling Adirondack Courier Express, he moved into the insurance business at the Continental Insurance Company in 1986. There he worked his way up through direct billing and commercial lines rating to assistant commercial underwriter. Steve moved to the agency side with Associates of Glens Falls from 1993 to 1996, then to Community Insurance Agencies, which later became TD Banknorth Insurance. At TD Banknorth, he worked as a Marketing/Placing Underwriter and then, for the past 3 years, a commercial lines Sales Producer. Steve brings a truly valuable perspective to every agency call he makes for Dryden Mutual.



A.M. BEST releases ANOTHER "A" RATING in 2007

In order to move our company to a different financial rating season, A.M. Best decided to issue a second financial rating for Dryden Mutual in the same year. We were first upgraded from "A-" to "A" in March 2007 and then rated again in October 2007 with another "A." This upgrade may still be news to many agency staff, so we are publicizing it again. The rationale for the two "A" ratings in the same year is reflected in the outstanding 5 year track record discussed above.

DRYDEN MUTUAL in the 2006 NEW YORK STATE MARKET



Dryden Mutual annually conducts a research project that reveals details of actual results in New York State, as opposed to the "big picture" national results reported in the trade press. This research is used to better understand what happened to all 313 companies that wrote business in our state during 2006 and how their lines of business performed in terms of both growth and loss ratios. One interesting fact is that without writing any automobile or workers compensation, and not writing significantly downstate, Dryden Mutual still ranked 92nd largest overall property-casualty insurance company doing business in New York at the

end of 2006! According to A.M. Best's DataBase Services, we have an even higher market ranking in those specific lines of business that we do write. Please note the following:

27th in NYS for Farmowners Multi-Peril out of 39 reporting companies	[NAIC Statement Line 03]
32nd in NYS on Fire & Allied Lines out of 177 reporting companies	[NAIC Statement Lines 01 & 02]
34th in NYS for Commercial Multi-Peril out of 135 reporting companies	[NAIC Statement Line 05]
39th in NYS for Homeowners Multi-Peril out of 104 reporting companies	[NAIC Statement Line 04]
47th in NYS for Inland Marine out of 161 reporting companies	[NAIC Statement Line 09]
75th in NYS for Other Liability out of 203 reporting companies	[NAIC Statement Lines 17.1 & 17.2]

2008 INFLATION FACTOR on RENEWALS

As we enter 2008, insurance-to-value remains in crisis. Our cost estimator vendor advised us that building cost inflation has averaged 5.4%, which is the factor we will begin applying in March 2008 to all commercial and residential property building coverages renewal. It will replace the 6.2% factor we used in 2007 and the 4.0% factor we were applying prior to 2007.

RESIDENTIAL COST ESTIMATORS for 2008

Dryden Mutual underwriters will continue using the Saylor Publications residential cost estimator in conjunction with Underwriters Rating Bureau (URB) with an update to be issued early in 2008. Although this estimator is never perfect, it is being used by many other Upstate New York property companies in our peer group, so it is the best available to us. We will also continue to accept detailed, current cost estimators provided by other carriers as no one system has a monopoly on determining reasonably adequate insurable values.



GUARANTEED REPLACEMENT COST on HOMES

(i.e. Practically Free Agency E&O Coverage)

Effective immediately, Dryden Mutual will permit the addition of guaranteed replacement cost (form ML-24A) on homeowners forms 2 and 3. The ML-24A has been used successfully for years on our ML-5 homeowners program and some producers have requested that Dryden expand its use. The following guidelines will be used by our Personal Lines Underwriters:

- (a) ML-24A to apply only to homes built after World War II (1945 or newer) because of the difficulty in accurately calculating replacement cost on older homes.
- (b) The ML-24A only guarantees replacement cost on the structure up to 125% of Coverage A in place at the time of a major loss to the structure. Dryden Mutual will not entertain unlimited guaranteed replacement cost requests because of disastrous industry experience with such coverage.
- (c) Any house covered by the ML-24A has to be insured to 100% of current replacement cost.
- (d) ML-24A will not apply to the Manufactured (Mobilehome) Home Program.

The cost of this endorsement is only a flat \$3 and would likely be an instant remedy for your agency's E&O exposure on the homeowners you place with Dryden Mutual. Call your underwriter to discuss a roll-on to your renewals that qualify.

NEW VOICE at DRYDEN MUTUAL SWITCHBOARD

As we enter 2008, Dryden Mutual remains committed to providing a trained professional to answer calls at our switchboard during normal working hours. We view it as a tremendously important first contact point for both our agents and our customers. The newest addition to staff is receptionist, Caitlyn E. Durbin. She worked at Dryden Mutual from July 2006 through July 2007 as a student intern. She was in our InVEST class during her senior year at Dryden High School and when she graduated in 2007, she received a national InVEST scholarship. She is using her scholarship to continue as a part-time student at Tompkins Cortland Community College. If you have called us in the last 5 months, you have already met her!



"TRUSTED CHOICE"

Dryden Mutual continues to be one of few insurance companies operating in New York or anywhere in the USA to join the Independent Insurance Agents & Brokers of America's national branding campaign known as "Trusted Choice." "Trusted Choice" started out as a potential joint venture between IIABA and PIA to promote the independent agency system. Although it is now only backed by the IIABA, it is still primarily an idea that promotes the independent agency. This is essentially why Dryden Mutual remains a strong supporter of this idea. We have incorporated Trusted Choice in all of our new promotional items, including this newsletter. The Trusted Choice logo is displayed on our website and used on our company letterhead, billing envelopes and large mailers. It will also remain imbedded in our co-operative advertising program in 2008.



MILITARY FAMILIES

Although it is sad to have to repeat this message so often, please join us in again wishing a safe return home for all our brave men and women serving in the armed services across the world during these troubled times. All Dryden Mutual underwriters, billing staff and claims adjusters continue to be instructed to accommodate unusual insurance circumstances that the families of deployed military may face in wartime. At the end of 2007, our wish again for a safe return applies especially to the Army's 10th Mountain Division based near Watertown, as well as to reserve and national guard units spread throughout Upstate New York whose members continue to face extended and repeated deployments to active combat zones.



SEASONS GREETINGS

The Directors and Employees of Dryden Mutual wish the best to all our agency staff and their families during this holiday season. We continue to be grateful for the continued support you provide to our franchise in Upstate New York. Thank you for your part in making 2007 one of the best years in our history. We all look forward to growing the continuing partnership in 2008.

Robert B. Baxter, CPCU, CIC
CEO & General Manager
Also visit our website at www.drydenmutual.com

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Choices

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