

REPORT ON EXAMINATION
OF
MAIN STREET AMERICA PROTECTION
INSURANCE COMPANY
JACKSONVILLE, FLORIDA

AS OF
DECEMBER 31, 2008

BY THE
OFFICE OF INSURANCE REGULATION

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION.....	1
HISTORY	3
GENERAL	3
CAPITAL STOCK.....	3
PROFITABILITY OF COMPANY	4
DIVIDENDS TO STOCKHOLDERS	4
MANAGEMENT.....	5
CONFLICT OF INTEREST PROCEDURE.....	6
CORPORATE RECORDS	7
SURPLUS DEBENTURES	7
AFFILIATED COMPANIES	7
ORGANIZATIONAL CHART	8
TAX ALLOCATION AGREEMENT.....	9
COST SHARING AGREEMENT.....	9
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS	10
STATUTORY DEPOSITS.....	10
TERRITORY	10
TREATMENT OF POLICYHOLDERS.....	10
REINSURANCE	11
CEDED	11
ACCOUNTS AND RECORDS.....	11
CUSTODIAL AGREEMENT	12
MANAGING GENERAL AGENT AGREEMENT	12
INDEPENDENT AUDITOR AGREEMENT.....	12
INFORMATION TECHNOLOGY REPORT.....	12
FINANCIAL STATEMENTS PER EXAMINATION.....	12
ASSETS	13
LIABILITIES, SURPLUS AND OTHER FUNDS	14
STATEMENT OF INCOME.....	15
CAPITAL AND SURPLUS.....	16
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS.....	16
SUMMARY OF FINDINGS	17
CONCLUSION	18

TALLAHASSEE, FLORIDA

November 9, 2009

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

James J. Donelon
Secretary, Southeastern Zone, NAIC
Commissioner
Louisiana Department of Insurance
1702 N. 3rd Street
Baton Rouge, Louisiana 70802

Honorable Alfred W. Gross
Chairman, NAIC Financial Condition (E) Committee
Commissioner, Virginia Bureau of Insurance
State Corporation Commission
PO Box 1157
Richmond, Virginia 23218

Dear Sirs:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2008, of the financial condition and corporate affairs of:

**MAIN STREET AMERICA PROTECTION INSURANCE COMPANY
4601 TOUCHTON ROAD EAST, STE. 3400
JACKSONVILLE, FLORIDA 32246**

Hereinafter referred to as, the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2008, through December 31, 2008. This was the first financial examination conducted by representatives of the Florida Office of Insurance Regulation, (Office). This examination commenced with planning at the Office on July 20, 2009, to July 24, 2009. The fieldwork commenced on July 20, 2009, and concluded as of November 9, 2009.

This financial examination was an association zone statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

Risk-focused examinations consist of a seven-phase process that can be used to identify and assess risk, assess the adequacy and effectiveness of strategies/controls used to mitigate risk and assist in determining the extent and nature of procedures and testing to be utilized in order to

complete the review of that activity. The process should generally include a determination of the quality and reliability of the corporate governance structure and risk management programs. In addition, it can be used for verification of specific portions of the financial statements or other limited-scope reviews, increased focus on, and can result in increased substantive testing of, accounts identified as being at high risk of misstatement. Conversely, the risk assessment process should result in decreased focus on, and fewer substantive tests on the accounts identified as being at low risk of misstatement. The risk-focused surveillance process can be used to assist examiners in targeting areas of high-risk.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2008. Transactions subsequent to year-end 2008 were reviewed where relevant and deemed significant to the Company's financial condition.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

HISTORY

General

The Company was organized on June 28, 2007, under the laws of Florida as a stock property and casualty company. During the period under examination, the Company did not write any business. The Company was wholly owned subsidiary of Main Street Financial Corporation (MSFC) which was organized under New Hampshire law.

The Company is currently not subject to any requirements pursuant to any consent order.

The Company was authorized to transact the following insurance coverage in Florida as of October 9, 2007:

Fire	Allied lines
Homeowners multi peril	Commercial multi peril
Inland marine	Workers' compensation
Burglary and theft	Private passenger auto physical damage
Other liability	Private passenger auto liability
Commercial automobile liability	Commercial auto physical damage
Fidelity	Surety
Boiler and machinery	Glass
Earthquake	

Capital Stock

As of December 31, 2008, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	10,000,000

Total common capital stock	\$10,000,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, MSA Financial Corporation, which owned 100% of the stock issued by the Company, who in turn was 100% owned by NGM Insurance Company, a Florida corporation.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed annual statements.

	2008	2007
Premiums Earned	0	0
Net Underwriting Gain/(Loss)	0	0
Net Income	467,303	167,302
Total Assets	10,712,323	10,447,805
Total Liabilities	77,718	280,503
Surplus As Regards Policyholders	10,634,605	10,167,302

Dividends to Stockholders

The Company did not make any dividend payment to stockholders during the period under examination.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2008, were:

Directors

Name and Location	Principal Occupation
Terry Lawrence Baxter Lyme, NH	Director, Folksamerica Corporation
Cotton Mather Cleveland New London, NH	President, Mather Associates
John Adrian Delaney Neptune Beach, FL	President, University of North Florida
Albert Henry Elfner, III Boston, MA	Retired
David Freeman Canton, CT	President, Lydall Corporation
William Dawson Gunter, Jr. Tallahassee, FL	CEO, Rogers, Gunter, Vaughn Insurance Co.
Karl Thomas Kemp Hanover, NH	Retired
Philip Donald Koerner Tipp City, OH	Insurance Executive
James Everitt Morley, Jr. Annapolis, MD	President, National Association for College and University Business Officers
Barbara Dunbar Stewart Atlanta, GA	President, Stewart Economics, Inc.
Melvin Lewis Temales Miami, FL	Vice President, University of Miami
Thomas Mark Van Berkel Ponte Vedra Beach, FL	President, Main Street America Group

The Board of Directors (Board) in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
Thomas Van Berkel	CEO
Susan Mack	Secretary
Edward Kuhl	Treasurer

The Company's Board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and their members as of December 31, 2008:

Executive Committee	Audit Committee	Finance Committee
Thomas M. Van Berkel ¹	David (NMN) Freeman ¹	Albert H Elfner,III ¹
John A. Delaney	John A. Delaney	Terry L. Baxter
Albert H Elfner,III	William D. Gunter, Jr.	Cotton M. Cleveland
David (NMN) Freeman	Philip D. Koerner	K. Thomas Kemp
William D. Gunter, Jr.	Barbara D. Stewart	James E. Morley, Jr.
¹ Chairman		

The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes.

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook.

Corporate Records

The recorded minutes of the shareholder, Board of Directors, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

Surplus Debentures

The Company did not have any surplus debenture as of December 31, 2008.

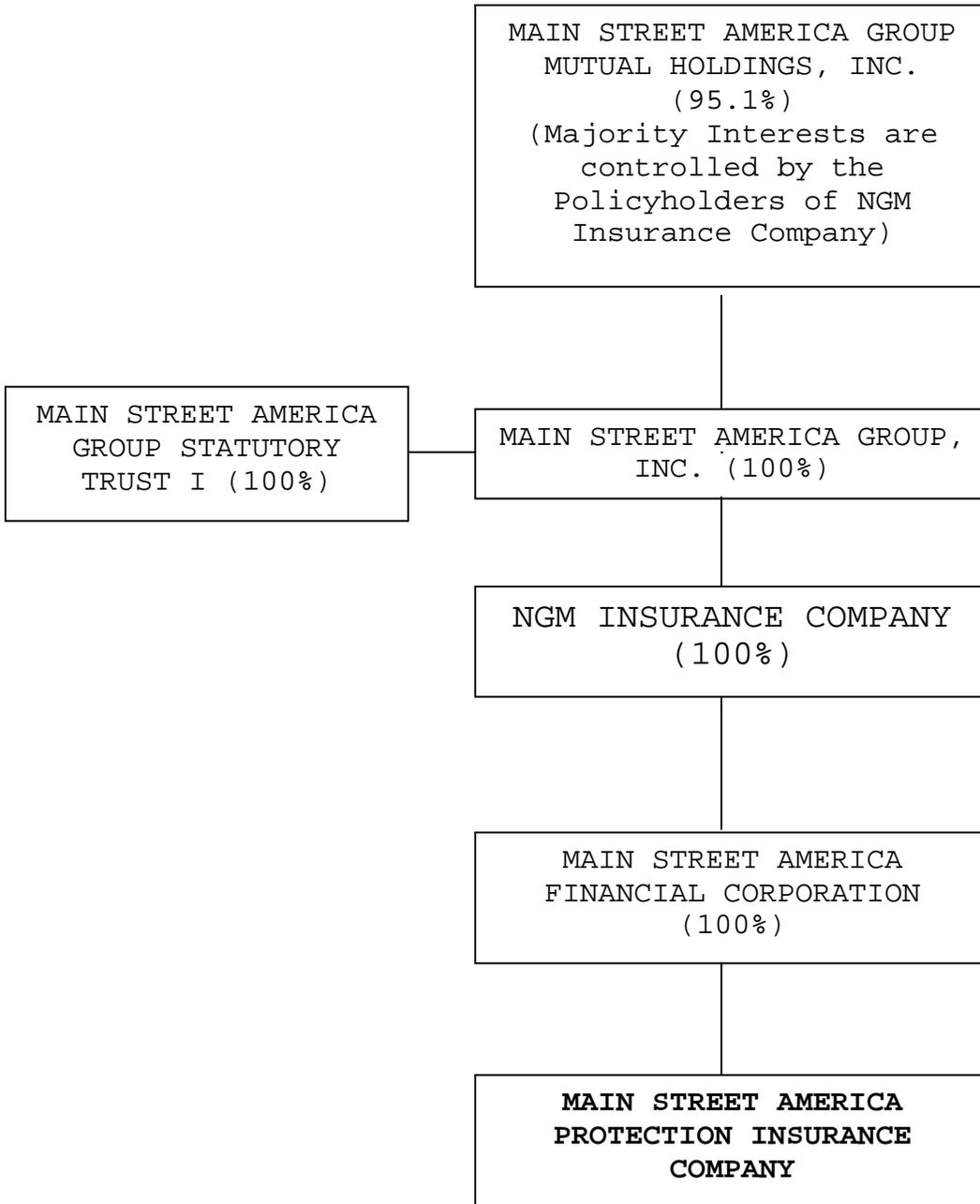
AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on February 13, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2008, reflecting the holding company system, is shown below. Schedule Y of the Company's 2008 annual statement provided a list of all related companies of the holding company group.

**MAIN STREET AMERICA PROTECTION INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2008



The following agreements were in effect between the Company and its affiliates:

Tax Allocation Agreement

The Company's federal income tax return was combined with MSAH, MSAAC, MSA Group and Main Street America Capital Corporation. The method of allocation between the companies was subject to a written agreement dated March 30, 1998, and was approved by the Board of Directors. Allocation was based upon separate return calculations with current credit for net losses recoverable on a consolidated basis. The agreement was amended on October 27, 2005, to include Mutual Holdings and MSA Group as parties to the agreement. The agreement was also amended in 2008 to include Great Lakes Casualty Insurance Company, which was acquired in a transaction that closed on October 1, 2008.

Cost Sharing Agreement

Effective January 1, 1996, the Company entered into an intercompany expense allocation agreement with its indirect parent company, NGM Insurance Company to receive administrative and managerial services. Indirect costs were allocated based upon a uniform and reasonable basis for all affiliated companies. On a quarterly basis, NGM Insurance Company furnished all affiliated companies with an accounting of costs and expenses paid on behalf of each affiliate in the agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$20,000,000 with a deductible of \$150,000 per loss, an amount considered adequate for the Company as recommended by the NAIC

Financial Condition Examiners Handbook. The Company had other property and liability insurance coverage necessary for the operation of the business.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company was a member of a group of companies which share employees and underwriting results under a pooling agreement. The Company has a noncontributory defined benefit pension plan covering substantially all employees.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	DESCRIPTION	RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
FL	US Treasury	6.250%	08/15/23	\$ 325,000	\$ 443,269
TOTAL FL DEPOSITS				\$ 325,000	\$ 443,269
TOTAL SPECIAL DEPOSITS				\$ 325,000	\$ 443,269

Territory

As of the examination date, the Company was only authorized to transact insurance business in the state of Florida.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

REINSURANCE

On January 1, 2007, the reinsurance pooling agreement between NGM and its subsidiaries was changed to an intercompany quota share reinsurance agreement. Under the terms of this agreement there was a pooling of all companies direct and assumed business which was 100% assumed by NGM and no amount ceded back to the other insurers.

Ceded

The Company ceded 100% of business into the company reinsurance pool.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Jacksonville, FL. This examination was conducted in Jacksonville, FL and Keene, NH.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2008 and 2007, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company and non-affiliates had the following

Custodial Agreement

The Company had a custodial agreement for the safekeeping of the securities in compliance with Rule 690-143.042, Florida Administrative Code.

Managing General Agent Agreement

The Company was not party to any Managing General Agent Agreements.

Independent Auditor Agreement

The Company had an agreement with Ernst & Young, LLP to perform an audit of its statutory financial statements for the years 2008 and 2007.

Information Technology Report

Interactive Solutions Inc. performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, and the results of its operations for the year then ended as determined by this examination.

MAIN STREET AMERICA PROTECTION INSURANCE COMPANY
Assets

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$10,374,512		\$10,374,512
Stocks:			
Preferred	0		0
Common	0		0
Mortgage loans on real estate			
First liens	0		0
Real Estate:			
Properties			
occupied by Company	0		0
Cash:	165,513		165,513
Other investmented assets	0		0
Receivable for securities	0		0
Agents' Balances:			
Uncollected premium	0		0
Deferred premium	0		0
Reinsurance recoverable	0		0
EDP Equipment	0		0
Interest and dividend			
income due & accrued	135,607		135,607
Current federal and foreign income tax			
recoverable	0		0
Net deferred tax assets	0		0
Receivable from parents, subsidiaries and affiliates	36,691		36,691
Aggregate write-in for other than invested assets	0		0
Totals	\$10,712,323	\$0	\$10,712,323

MAIN STREET AMERICA PROTECTION INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	\$0		\$0
Loss adjustment expenses	0		0
Commission payable	0		0
Other expenses	0		0
Taxes, licenses and fees	0		0
Current federal and foreign income taxes	75,399		75,399
Funds held under reinsurance treaties	0		0
Amounts withheld	0		0
Drafts outstanding	0		0
Payable to parent, subsidiaries and affiliates	0		0
Aggregate write-ins for liabilities	2,319		2,319
Total Liabilities	\$77,718	\$0	\$77,718
Common capital stock	\$10,000,000		\$10,000,000
Gross paid in and contributed surplus	0		0
Unassigned funds (surplus)	634,605		634,605
Surplus as regards policyholders	\$10,634,605		\$10,634,605
Total liabilities, surplus and other funds	\$10,712,323	\$0	\$10,712,323

MAIN STREET AMERICA PROTECTION INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income

Premiums earned		\$0
	Deductions:	
Losses incurred		0
Loss expenses incurred		0
Other underwriting expenses incurred		0
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$0
Net underwriting gain or (loss)		\$0

Investment Income

Net investment income earned		\$392,768
Net realized capital gains or (losses)		97,457
Net investment gain or (loss)		\$490,225

Other Income

Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		\$0

Net income before dividends to policyholders and before federal & foreign income taxes		\$490,225
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$490,225
Federal & foreign income taxes		22,922
Net Income		\$467,303

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$10,167,302
Net Income		\$467,303
Net unrealized capital gains or losses		0
Change in non-admitted assets		0
Change in provision for reinsurance		0
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		\$467,303
Surplus as regards policyholders, December 31 current year		\$10,634,605

Capital and Surplus

The amount reported by the Company of \$10,634,605, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

MAIN STREET AMERICA PROTECTION INSURANCE COMPANY COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS

DECEMBER 31, 2008

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2008, per Annual Statement	\$10,634,605
---	--------------

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustment			
LIABILITIES:			
No adjustment			
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2008, Per Examination			<u><u>\$10,634,605</u></u>

SUMMARY OF FINDINGS

Current examination comments and corrective action

There were no exceptions or findings in the examination as of December 31, 2008.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Main Street America Protection Insurance Company** as of December 31, 2008, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$10,634,605, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned Jerry Golden, Financial Examine/Analyst II, Exam Manager, Donald W. Sirois CFE, CPA, Invotex Group, Director, JunJie Pan CFE, CPA, CPCU, Invotex Group, Senior Consultant, and Ron W. Pusz, Jr., Invotex Group, Senior Consultant participated in the examination. We also recognize the participation of Interactive Solutions, LLC, which conducted the IT review and Merlinos & Associates for the actuarial review in the examination.

Respectfully submitted,

Mary M James, CFE, CPM
Chief Examiner
Florida Office of Insurance Regulation