

**REPORT ON EXAMINATION**  
**OF**  
**MAIN STREET AMERICA PROTECTION**  
**INSURANCE COMPANY**  
**JACKSONVILLE, FLORIDA**  
**AS OF**  
**DECEMBER 31, 2009**

**BY THE**  
**OFFICE OF INSURANCE REGULATION**

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**TALLAHASSEE, FLORIDA**

December 8, 2010

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

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 690-138.005, Florida Administrative Code, 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, 2009, 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, 2009, through December 31, 2009. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2008. This examination commenced with planning at the Office on September 13, 2010, to September 15, 2010. The fieldwork commenced on November 8, 2010, and concluded on December 8, 2010.

This financial examination was a 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.

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

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **General**

With the exception of Workers' Compensation, the Company has not written insurance coverage in the sixteen other authorized lines of business for a period of two years. However, there has been ongoing discussion with the Office concerning this matter to fully comply with Section 624.430, Florida Statutes. Subsequent event: On April 12, 2011, the Company requested that six lines be removed from their Certificate of Authority. The Company has been engaged with the Office to roll out a new business owner policy which would incorporate the other ten lines.

### **Prior Exam Findings**

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2008.

## **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, other than one Workers' Compensation policy, the Company did not write any business. The Company is a wholly owned subsidiary of Main Street America Financial Corporation (MSAFC), which is 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 on December 31, 2009:

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	

With the exception of two workers compensation policies written in 2009, the Company has not written insurance coverage in the previous two years in the lines of business listed above. However, the Company has been discussing this matter with the Office to fully comply with Section 624.430(1), Florida Statutes. Subsequent event: On April 12, 2011, the Company asked that six lines (Homeowners Multi Peril, Commercial Automobile Liability, Private Passenger Auto Physical Damage, Commercial Auto Physical Damage, Private Passenger Auto Liability, and Glass) be removed from the Certificate of Authority. The Company has been engaged with the Office to roll out a new business owner policy which would incorporate the remaining lines.

## **Dividends to Stockholders**

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

## **Capital Stock**

As of December 31, 2009, 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, Main Street America Financial Corporation (MSAFC), which owned 100% of the stock issued by the Company; MSAFC in turn was 100% owned by NGM Insurance Company (NGM), a Florida corporation. The ultimate parent of NGM was Main Street America Group Mutual Holding Inc.

## **Surplus Debentures**

The Company did not have any surplus debentures as of December 31, 2009.

## **CORPORATE RECORDS**

The recorded minutes of the shareholder, Board of Directors (Board), 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.

## **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 adopted by Rule 69O-138.001, Florida Administrative Code.

## **MANAGEMENT AND CONTROL**

### **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, 2009, were:

#### **Directors**

<b>Name and Location</b>	<b>Principal Occupation</b>
Terry Lawrence Baxter Lyme, New Hampshire	Director, Folksamerica Corporation
Cotton Mather Cleveland New London, New Hampshire	President, Mather Associates
John Adrian Delaney Neptune Beach, Florida	President, University of North Florida
Albert Henry Elfner, III Boston, Massachusetts	Retired
David Freeman Canton, Connecticut	President, Lydall Corporation
William Dawson Gunter, Jr. Tallahassee, Florida	CEO, Rogers, Gunter, Vaughn Insurance Co.
Karl Thomas Kemp Hanover, New Hampshire	Retired
Philip Donald Koerner Tipp City, Ohio	Insurance Executive
James Everitt Morley, Jr. Annapolis, Maryland	President, National Association for College and University Business Officers

Barbara Dunbar Stewart  
Atlanta, Georgia

President, Stewart Economics, Inc.

Thomas Mark Van Berkel  
Ponte Vedra Beach, Florida

President, Main Street America  
Group

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

### Senior Officers

<b>Name</b>	<b>Title</b>
Thomas Van Berkel	CEO/President
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, 2009:

<b>Executive Committee</b>	<b>Audit Committee</b>	<b>Finance Committee</b>
Thomas M. Van Berkel <sup>1</sup>	David (NMN) Freeman <sup>1</sup>	Albert H. Elfner, III <sup>1</sup>
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.

<sup>1</sup> Chairman

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

### Affiliated Companies

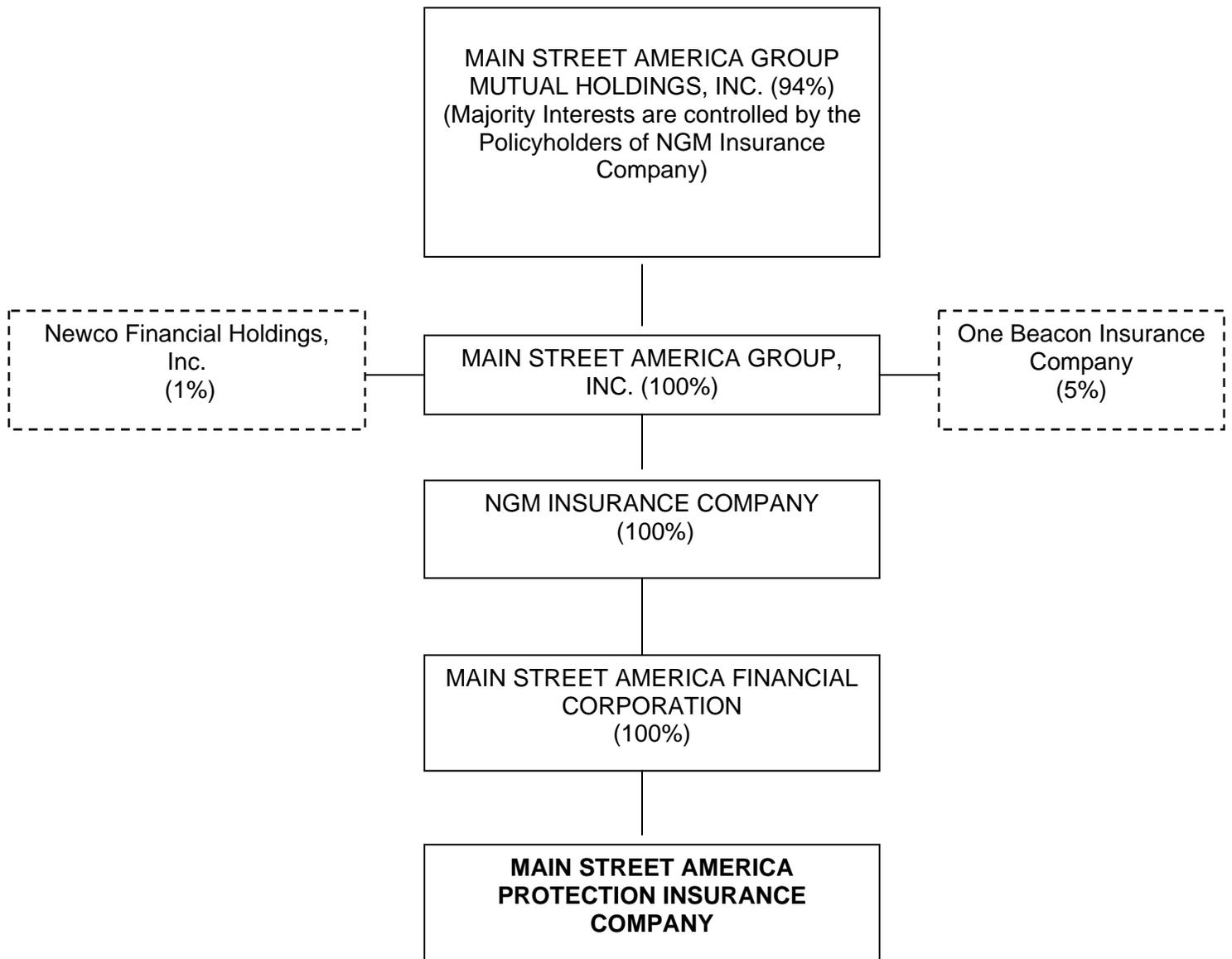
The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration

statement was filed with the State of Florida on February 12, 2010, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2009, reflecting the holding company system, is shown below. Schedule Y of the Company's 2009 annual statement provided a list of all related companies of the holding company group.

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

**DECEMBER 31, 2009**



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

### **Tax Allocation Agreement**

The Company, along with its parent, filed a consolidated federal income tax return. On December 31, 2009, the method of allocation between the companies was subject to a written agreement dated March 30, 1998, and was approved by the Board. Allocation was based upon separate return calculations with current credit for net losses recoverable on a consolidated basis.

### **Cost Sharing Agreement**

The Company entered into an intercompany expense allocation agreement with its indirect parent company, NGM, 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 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, which reached the suggested minimum amount of coverage 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.

## TERRITORY AND PLAN OF OPERATIONS

As of the examination date, the Company was authorized to transact insurance only 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.

## COMPANY GROWTH

### 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.

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Premiums Earned	0	0	0
Net Underwriting Gain/(Loss)	0	0	0
Net Income	697,900	467,303	167,302
Total Assets	11,530,414	10,712,323	10,447,805
Total Liabilities	197,909	77,718	280,503
Surplus As Regards Policyholders	11,332,505	10,634,605	10,167,302

## **REINSURANCE**

The Company was party to an intercompany quota share reinsurance agreement with NGM and its subsidiaries. That agreement had been changed on January 1, 2007, from a reinsurance pooling agreement to an intercompany quota share reinsurance agreement. Under the terms of this agreement, there is a pooling of all companies direct and assumed business which is 100% assumed by NGM and no amount ceded back to the other insurer including the Company.

### **Assumed**

The Company did not assume any business during this examination period.

### **Ceded**

The Company cedes 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 Keene, New Hampshire, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2009 and 2008, 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 agreements:

## Custodial Agreement

The Company had a custodial agreement for the safekeeping of the Company's securities in compliance with Rule 69O-143.042, Florida Administrative Code.

## Independent Auditor Agreement

The Company contracted with Ernst & Young, LLP to perform the annual audit of its financial statements as required by Rule 69O-137.002 (7) (c), Florida Administrative Code.

## STATUTORY DEPOSITS

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

<b>STATE</b>	<b>DESCRIPTION</b>	<b>RATE</b>	<b>MATURITY DATE</b>	<b>PAR VALUE</b>	<b>MARKET VALUE</b>
FL	US Treasury	6.250%	08/15/23	\$ 325,000	\$ 423,823
TOTAL FL DEPOSITS				<u>\$ 325,000</u>	<u>\$ 423,823</u>
TOTAL SPECIAL DEPOSITS				<u>\$ 325,000</u>	<u>\$ 423,823</u>

## FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, 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, 2009**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Bonds	\$11,033,505		\$11,033,505
Cash	334,803		334,803
Interest and dividend income due & accrued	162,106		162,106
	<hr/>		
Totals	\$11,530,414	\$0	\$11,530,414
	<hr/>		

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

**DECEMBER 31, 2009**

	Per Company	Examination Adjustments	Per Examination
Current federal and foreign income taxes	\$195,643		\$195,643
Payable to parent, subsidiaries and affiliates	467		467
Aggregate write-ins for liabilities	1,799		1,799
<b>Total Liabilities</b>	<b>\$197,909</b>	<b>\$0</b>	<b>\$197,909</b>
Common capital stock	\$10,000,000		\$10,000,000
Unassigned funds (surplus)	1,332,505		1,332,505
<b>Surplus as regards policyholders</b>	<b>\$11,332,505</b>		<b>\$11,332,505</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$11,530,414</b>	<b>\$0</b>	<b>\$11,530,414</b>

**MAIN STREET AMERICA PROTECTION INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2009**

**Investment Income**

Net investment income earned	\$400,936
Net realized capital gains or (losses)	320,128
Net investment gain or (loss)	<u>\$721,064</u>
Net income before dividends to policyholders and before federal & foreign income taxes	\$721,064
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$721,064
Federal & foreign income taxes	<u>23,164</u>
Net Income	<u><u>\$697,900</u></u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year	\$10,634,605
Net Income	<u>\$697,900</u>
Change in surplus as regards policyholders for the year	\$697,900
Surplus as regards policyholders, December 31 current year	<u><u>\$11,332,505</u></u>

A comparative analysis of changes in surplus is shown below.

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

**DECEMBER 31, 2009**

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, 2009, per Annual Statement \$11,332,505

	<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, 2009, Per Examination			<u><u>\$11,332,505</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### **Capital and Surplus**

The amount reported by the Company of \$11,332,505, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

## 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, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$11,332,505, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Junjie Pan, Senior Consultant (CPA, CFE) of Invotex Group, Examiner-In-Charge; Qu Zhang, Senior Consultant of Invotex Group; and James M. Pafford, Jr., Financial Examiner Analyst Supervisor of the Office participated in this examination.

Respectfully submitted,

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