



FOCUSED

ON OUR FUTURE

THE MAIN STREET AMERICA GROUP 2005 ANNUAL REPORT

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THE MAIN STREET
AMERICA GROUP

2005
ANNUAL REPORT

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Roger Hamilton
MSA Service Center Manager
Keene, N.H.

*Learn more about the new MSA
Service Center on page 8.*

A CLEAR DIRECTION

“We are determined to preserve the consistency and customer focus that have been central to our success for the past 82 years as we have served our Main Street niche.”

Throughout 2005, The Main Street America Group continued to serve our customers, and our customers’ customers, better than anyone else in the marketplace while also establishing the groundwork for our future.

While we did not achieve all of our 2005 financial goals (see page 5 of our Annual Report), we are on the right course for continued success as evidenced by our 14.0 average return on equity over the past three years and a combined ratio that has averaged below 100 during this timeframe.

We also surpassed our five-year plan in terms of total assets (\$1.53 billion vs. plan of \$1.43 billion) and direct written premium (\$803 million vs. plan of \$725 million).

This year’s Annual Report is filled with excellent stories highlighting how we are partnering with our customers to achieve success throughout our markets. I would like to thank our dedicated employees for instilling our core values of Ownership, Relationships and Service and helping us deliver The MSA Experience to all of our customers throughout 2005. And I would like to thank our customers for continuing to deliver our products and services to Main Street Americans.

Looking forward, one of the key drivers of our future is the conversion of our organizational structure to a mutual insurance holding company. We completed this momentous process in late October, following overwhelming approval from our policyholders by a margin of more than 8 to 1, as well as the Florida Office of Insurance Regulation.

In completing our structural conversion, we are determined to preserve the consistency and customer focus that have been central to our success for the past 82 years as we have served our Main Street niche. We need organizational flexibility to attract the capital necessary to fund continued growth and the resulting infrastructure investment.

With our new structure in place, we retain our long-term focus on consistency and stability and our policyholders are assured they will maintain a controlling interest in our company. We now have the flexibility to raise capital through means not available to mutual insurers.



Tom Van Berkel
President and CEO
The Main Street America Group
Jacksonville, Fla.

MESSAGE FROM THE CEO

We may also facilitate different business combinations that could not be achieved previously. While we have no immediate plans to use our new structure for these purposes, we have afforded ourselves the flexibility to easily do so as opportunities arise. This positions us to be an even stronger and more responsive insurer for our customers and our customers' customers.

In addition to this historic event, we also implemented other significant steps in 2005 to position ourselves for the future. This included the refinement of several of our business units, including Bonds, Claims, Field Operations, Information Technology, Marketing and Integrated Solutions, and Personal Lines.

To remain a profitable Super Regional and achieve scale, we needed to make these structural adjustments. Our changes will ensure better accountability, superior leveraging of resources and faster, more effective implementation of new products.

In 2005, we also continued to enhance our MSA @ the Desktop functionality to make it as easy as possible for our customers to do business with us. This included the delivery of Commercial Lines Download (CL Download) and Personal Lines Quick Quote (PL Quick Quote).

With CL Download, our customers can download policy data directly from our database to populate their Applied agency management system. This reduces their need for data entry and speeds the process of executing new

business applications, renewals, cancellations, policy changes and applications. With PL Quick Quote, our customers can quickly obtain Homeowners and Personal Auto new business quotes directly from our Agents Only proprietary Web site. It enables them to quote, print and submit an application from their desktop in a seamless, electronic process.

We launched the MSA Service Center (see story on page 8 of our Annual Report) to service our customers' smaller commercial accounts, allowing them to focus on their more profitable business. Our Service Center handles everything from issuing new business to processing renewals and endorsements to completing certificates of insurance.

We also enhanced our claims process by selecting Guidewire ClaimCenter. This new system, which will be rolled out in several phases over the next few years, will fully automate our process of assigning losses.

With the significant steps we have taken in 2005, our organization is well-positioned for a very profitable future. We remain fully committed to the independent agent as our sole distribution channel for Main Street business, as well as our focus on strong relationships with our customers and being easy to do business with.



Tom Van Berkel
President and CEO
The Main Street America Group

“Our changes will ensure better accountability, superior leveraging of resources and faster, more effective implementation of new products.”



Dan Haley (left)
Daniel T. Haley Insurance Agency
Portland, Maine

David Bergson (right)
Agency Development Manager
Portland, Maine

MAINE FOOTPRINT

continues to

EXPAND

The Main Street America Group's largest territory, the New England Region, initiated a strategic state level planning process five years ago in an effort to stay focused on the future.

The region was looking for opportunities to get a foothold in Maine since our organization had identified the state as having great growth potential. One option was to hire an in-state underwriter to demonstrate our commitment to Maine so our people would be closer to the customer and well-positioned for future business needs.

"We found that having underwriters living in the field was beneficial to our region's underwriting and production results because not only did they provide local knowledge, it enabled us to establish sound relationships with our customers," said Bob Buchholz, regional vice president, New England Region.

Five years later, our presence in Maine has grown extensively and our state's team is now comprised of three underwriters, two agency development managers and one territory manager—all local residents.

"While other carriers are pulling out of Maine, we are continuing to demonstrate our commitment," Bob said. As a result, Main Street America's written premium in Maine has doubled since 2001 and the loss ratio has a five-year average of 47.4 percent. "We currently have customers at over 100 locations throughout the state and have six new appointments planned in 2006," Bob added.

According to Royce Cross, president of Cross Insurance in Bangor, Maine, and a long-time customer of ours, a company can go "only so far" on price. He states the quality level of service is what separates Main Street America from other carriers.

"Main Street America's approach is quite different than the other carriers we represent. We are not just calling an 800 number to work with them," Royce said. "Main Street's people work with us directly all of the time. Their locally based team is at our office regularly and their services are excellent."

Dan Haley of the Daniel T. Haley Insurance Agency in Portland, Maine, agrees that service is a key differentiator.

"Insurance is a relationship business," said Dan, a second-generation agency owner that was appointed by Main Street America last summer.

The future appears very bright for Main Street America in Maine.

"We believe our commitment to exceptional customer service and staying future-focused with our customers in Maine adds real value to the insurance process," Bob said.

And when you include a strong work ethic and a desire for continuous improvement, one can see why Main Street America has experienced success during the past five years in Maine and is very enthusiastic about the future.

"While other carriers are pulling out of Maine, we are continuing to demonstrate our commitment to it."

—Bob Buchholz



SWEET SUCCESS

When an insured of Bankers Insurance in Fredericksburg, Va., called the MSA Service Center with billing questions, the last thing he expected was jugs of New Hampshire maple syrup. However, that is exactly what he received as a result of his inquiry.

Susan Bechard, senior account representative at the Service Center located in The Main Street America Group's Keene, N.H., office, answered the call from the Bankers Insurance customer and spent the next 30 minutes addressing his billing concerns. At the end of the conversation, the policyholder asked to speak to Susan's manager.

Roger Hamilton, MSA Service Center manager, got on the line prepared to address some tough questions. Much to his delight, the customer simply wanted to thank Susan for her stellar service.

"He was very complimentary of how Susan handled his account and took care of him," Roger said. "I wanted to thank him for taking the time to thank us. So, I sent him several jugs of maple syrup from New Hampshire."

submissions, renewals, endorsements, cancellations, claims notifications and customer care. The group consists of individuals with agency background, as well as Commercial Lines underwriting and customer service experience.

Rodney Littlefield, operations manager at Insurance by Ken Brown Inc. in Orlando, Fla., was the first customer to place small commercial accounts with the MSA Service Center. The agency now has 50 percent of its renewal premium with the Service Center and is also placing new business.

"This provides us a way to economically handle small business, which can be just as time-consuming as servicing larger accounts," Rodney said. "Overall, we have been very pleased with our transition to the MSA Service Center."

In 2005, the MSA Service Center fulfilled contracts from nearly 20 agencies based in Connecticut, Delaware, Florida, North Carolina and Virginia. The premium goal for 2006 is \$14.5 million and that number is expected to more than triple in 2007 with a goal of \$50 million.



Rodney Littlefield
Operations Manager
Insurance by Ken Brown Inc.
Orlando, Fla.

at

MSA SERVICE CENTER

This attention to detail and friendly customer service is what Main Street America customers, and our customers' customers, receive when speaking to one of our seven MSA Service Center licensed representatives.

Our trained professionals handle Commercial Lines new business

"The MSA Service Center makes it worthwhile for our customers to do business with us," Roger said. "It is a huge challenge to hire, train and retain CSRs because of the turnover ratios. Our customers can comfortably turn over the service portion of their business to us and focus on generating more revenue."

ALL *in the*



Jodie, Brian, and Aaron Rich
Everett B. Rich Agency
Lyme Center, N.H.

FAMILY

Third-Generation Agency Celebrates 50 Successful Years With Main Street America

Working out of his home in 1955, Everett B. Rich started a small, independent insurance agency in Lyme Center, N.H., with only one employee—his wife, Verna. Fast-forward to 2005, Everett B. Rich Agency Inc. celebrated its 50-year anniversary and also marked its half-century relationship with one of its first carriers, National Grange Mutual (now known as NGM Insurance Company).

The agency is now housed across the street from Everett's former residence in a building that has been in the Rich family for four generations. Although Everett retired in the early '90s and passed away five years ago, the company continues to thrive under the direction of his son, agency president Brian Rich. The eight-member staff also includes two other Rich family members: Brian's wife, Jodie, treasurer, and their oldest son, Aaron, vice president.

"We are a small country agency that prides itself on retention rather than sales," Brian said. "We have an overall agency retention rate of 92 percent, and even in the case of divorce, we usually retain both parties."

Randy Roy, The Main Street America Group's New England Region agency development manager, said, "The agency always tries to do what is best for their customers. And, they never lose sight of the strong partnership between Main Street America and the agency. They concentrate on writing profitable business for both of us."

Brian states his agency's relationship with Main Street America is like family.

"We have wonderful rapport with all of their underwriters," Brian said. "We have had a great relationship with Main Street America for 50 years."

Randy Roy
Agency Development Manager
Barre, Vt.



"The agency always tries to do what is best for their customers."

—Randy Roy

Agency's Pursuit of **EXCELLENCE** *and* **AUTOMATION** *Drives* **SUCCESS**

Spann Insurance's founder, the late John Spann Jr., used to tell sons Jack and Lee, "Don't put our name on any policy you're not proud of." It is this drive for excellence that is behind the Nashville, Tenn., independent agency's success.

And it shows in the way John's widow, Gwen, the agency's president, and her sons continue to improve operations through automation, as well as their superior customer service and choice of carriers with whom they do business.

"Having great markets like National Grange is a big reason we have done well. We seek out companies with a niche and we target our market niche to theirs," said Lee Spann, the agency's vice president of Personal Lines. Spann Insurance, which has represented The Main Street America Group's NGM Insurance (formerly National Grange Mutual Insurance Company) for more than four decades, primarily targets the Main Street market.

One of the initial Trusted Choice® agencies of the Independent Insurance Agents & Brokers of America, the agency has pursued excellence in a number of ways, particularly through its embrace of technology.

"Spann Insurance is a champion of automation," said Frank Long, the Nashville-based agency development manager for Main Street America's Richmond Region. "They not only invest in technology, but use it extensively to conduct their business more effectively."

"Spann Insurance takes advantage of every automation tool we offer," said Brad Smedley, a Keene, N.H.-based agency automation specialist at Main Street America. "Spann is an agency that clearly sees the benefit in providing better service to its customers."

"By downloading information from Main Street America's Web site, and uploading new business applications and endorsements, and using many

other features of our Applied system, we can provide better service to our clients and be much more productive," Lee said. "Technology maximizes what you can do with the resources you have."

Spearheading the agency's automation is John Spann IV, who handles its technology management, benefits department production and service operations. John represents the third generation of family members managing the agency.

As significant as technology is to Spann Insurance's operations, Jack Spann, the agency's vice president of Commercial Lines, stated, "Most important in this business are people and relationships. Success for us is about being proud of our carriers, taking good care of our customers and having the coverages that respond to their needs."

In 1974, Spann Insurance entered the surety market and NGM, which was looking for opportunities to grow its presence in the South, agreed to underwrite the business.

Lee Spann (left), Jack Spann (right)
Spann Insurance
Nashville, Tenn.

Frank Long
Agency Development Manager
Nashville, Tenn.



“National Grange was critical to our ability to build our surety business, which now is a significant portion of our revenue,” Jack said.

Recently, Spann Insurance added an employee who is fluent in Spanish to work with its commercial customers and prospects. “The Hispanic community in Tennessee is large and growing. Having the ability to

communicate with our customers in Spanish will help bridge any gaps and provide overall better service to our clientele,” Lee said.

As Spann Insurance and Main Street America have grown together over the past 41 years, their partnership has strengthened.

“Lee is a member of our regional Agency Council and provides valuable feedback on our policies, technology initiatives and servicing customers,” Frank said. “We are not only business partners, but friends. It has really been a great relationship for many reasons and we are very pleased to be partnering with an agency of the caliber of Spann.”

Lisa Murman, Director of Commercial Lines Marketing, visits with Tierra Jackson and Donald Williams, students at Jacksonville's Terry Parker High School who are participating in the InVEST program that promotes careers in the insurance industry.



FOCUSED *on* *our* COMMUNITIES

The Main Street America Group and our 1,100 employees support many worthwhile causes in the communities where we live and work.

In 2005, the NGM Charitable Foundation, which combines corporate distributions and employee contributions, donated \$173,000 to organizations throughout all of our markets. The Foundation provides financial support to health and welfare, educational, civic, cultural, arts and humanitarian charitable organizations. This included \$15,000 to the American Red Cross branch in Keene for New Hampshire flood relief and \$10,000 to the American Red Cross branch in Jacksonville for the Hurricane Katrina Relief Fund.

As part of Main Street America's annual United Way campaign, the Foundation donated \$127,000 to support numerous United Way agencies in Keene, Auburn, Richmond, Syracuse, New York City and Jacksonville.

Highlights of other community programs we supported in 2005 include:

Super Bowl Food Drive

In recognition of Super Bowl XXXIX held in Jacksonville, employees from all of our locations donated nearly 2 tons of nonperishable food items to local food pantries in their respective markets.

Caddyshack Golf Tournament

As title sponsor of the fifth annual Murray Bros. Caddyshack Charity Golf Tournament, held at the World Golf Hall of Fame in St. Augustine, Fla., we helped raise a record \$251,000 for Jacksonville's St. Vincent's Foundation. The funds support the Foundation's Mobile Health Outreach Ministry that provides free medical services to disadvantaged individuals and families throughout Northeast Florida.

Annual Heart Walk/Run

Thirty-one employees from our Syracuse office joined their families and friends to raise \$10,800 in the American Heart Association's 21st Annual Heart Walk/Run.

Pumpkin Festival

More than 100 employees from our Keene office volunteered at the 15th Annual Pumpkin Festival in Keene to deliver pumpkins to area schools and operate the NGM Pumpkin Patch, where area children created arts and crafts projects.

RITA Events

We sponsored several local events hosted by Jacksonville's RITA (Research is the Answer) Foundation that supports breast cancer research in Northeast Florida. This included the use of our Jacksonville office parking lot as the start and finish line for the annual RITA 5K Walk/Run.

Asthma Walk

The Main Street Striders, a group of 19 Jacksonville employees and their families, along with employees from one of our local customers, JP Perry Insurance, raised more than \$4,000 at the American Lung Association's fifth annual Blow the Whistle on Asthma Walk.

College Scholarship Program

To promote literacy throughout the Jacksonville community, we sponsored the Jacksonville Public Library's summer reading scholarship program. High school students who participated in the program submitted a 500-word essay on the topic, "What I Would Have Missed if I Could Not Read." The winning student, Michelle Fares, received a \$500 college scholarship.

Children's Home Society of Florida

For the past decade, we have sponsored numerous programs at Florida's oldest non-profit provider of services to children and families. The Winter Park, Fla.-based organization provides families with a unique spectrum of social services, including foster care, adoption, child abuse prevention, emergency shelters, group homes, case management and treatment for developmentally disabled children. Children's Home Society's services are offered at more than 200 locations around the state.

ADJUSTER CENTER

at the Helm



(front to back):
Kevin Snow, Interim Appraisal Manager
Ron Allsop, Team Leader, Desk Review Group
Ray Illingsworth, Field Appraiser
Adjuster Center
Auburn, Mass.

2005 was especially active for The Main Street America Group's Adjuster Center in Auburn, Mass. In addition to processing approximately 115,000 "routine" claims, such as vehicle damage from a motor vehicle accident, the Adjuster Center also handled claims for 13 storms categorized as catastrophes. And the catastrophes began shortly after New Year's, with a significant ice storm impacting Pennsylvania on Jan. 4.

“Our Adjuster Center is the nucleus of the Claims department,” said its manager, Deb Pospiel. Deb, Main Street America’s assistant vice president, High Frequency, Auto Physical Damage Claims, added that we receive all claims either by phone or fax directly from insureds or via our agent-customers. Upon receipt, Adjuster Center personnel enter them into our claims system, fax an acknowledgement to our customers indicating the adjuster assigned and transfer the claims electronically to the appropriate regional Claims office based on the line of business and severity.

“Our goal is to enter the losses as quickly as possible so that our adjusters can begin the claims process,” Deb said.

When a catastrophe strikes, Main Street America’s 22 employees in the First Notice of Loss and Customer Care units process the extra volume of claims. But when a major catastrophe hits, more help is required. This is when the Adjuster Center mobilizes employees from our regional Claims offices, as well as non-Claims personnel throughout the organization.

“Catastrophe claims take priority,” Deb said. “Homeowners may have no place to live and business owners may be out of business. The impact on insureds in a catastrophe can be devastating. So, we do all we can to get the job done expediently.”

When Hurricane Wilma swept across the South Florida peninsula on Oct. 24, generating an average of 110 claims a day, the Adjuster Center requested assistance from our regional Claims offices.

Noreen Johnson, manager of Corporate Customer Service in our Keene, N.H. office, supported the Adjuster Center in entering new losses into our claims system. Appraisers in

Auburn who usually handle vehicle inspections also assisted in the handling of catastrophe claims.

These auxiliary personnel worked out of the Adjuster Center’s CAT Room, a conference room that contains a bank of computers and phones. “Having everyone together in one room makes it easier for training and to quickly answer questions,” Deb said.

For John Walsh, New England Region Claims product manager, and his team, supporting Wilma’s claims was particularly challenging because they were still handling some of the more than 400 claims generated by the extensive floods that drenched parts of New England earlier in the month. “The floods were an under-the-radar kind of storm because we did not have the kind of warning that we did with Wilma,” John said. “On the fifth day of the massive rains, I knew there were going to be big losses.”

Then, when Wilma struck, “we went into CAT duty extended hours,” John added. “It was tough because everyone worked extra hours for weeks. It was important that we try to get to everyone as soon as possible.”

All of the hard work and long hours generated by Main Street America’s personnel were greatly appreciated by our customers and their customers. Dirk DeJong, president of independent insurance agency Frank H. Furman Insurance, based in Pompano Beach, Fla., said that one of his Commercial Lines customers, who experienced a large loss due to Wilma, was very pleased with the WOW! service we provided.

“Insurance companies can sell policies every day,” Dirk said, “but they prove their worth when there’s a claim. Main Street America is a shining star on claims!”

MOBILIZING *in* *a* CATASTROPHE

2005 Financial Overview

The Main Street America Group reported financial results in 2005 that ranged from very positive to disappointing.

We achieved three significant milestones:

- Surplus and equity surpassed \$500 million, with \$524 million at year-end.
- Total assets exceeded \$1.5 billion.
- Direct written premium surpassed the \$800 million plateau, with \$803 million at year-end.

Other accomplishments included:

- New England Region achieved a combined ratio of 91.2.
- Personal Lines attained a combined ratio of 97.8.
- A.M. Best reaffirmed our “A” (Excellent) rating.
- Investment results exceeded plan and outperformed our policy benchmarks.

Surplus Growth



“We grew our invested assets by \$118.8 million,” said Ed Kuhl, senior vice president and chief financial officer, The Main Street America Group. “This increase was driven by \$105 million in net cash flow and supported by a 10.2 percent total return for our equity portfolio. This is a significant accomplishment in a challenging investment market where the Standard & Poor’s 500 gained only 4.9 percent.”

Main Street America did not meet its company-wide financial goals in some key categories:

- Combined ratio of 101.8 vs. plan of 97.0.
- Return on equity of 7.0 percent vs. plan of 13.1 percent.
- Direct written premium growth of 5.8 percent vs. plan of 11.4 percent.

“The second consecutive year of unprecedented hurricane activity along the Gulf Coast and Atlantic Basin impacted our combined ratio by 3.5 points,” Ed said. He added that our exposure to Hurricane Wilma, which struck the southern third of the Florida peninsula in late October, surpassed \$30 million. We also sustained reinsurance losses from Hurricanes Katrina and Rita.

“While the hurricanes and some unexpected prior year loss development drove our combined ratio higher than plan, we were still able to share 3.2 percent of net premium with our profitable agents in the form of contingent commissions and preferred agent bonuses,” Ed said.

Ed concluded that while we did not achieve our combined ratio or ROE goals in 2005, our three-year average combined ratio was under 100 and our three-year ROE of 14.0 percent is very favorable and positions us well for the future.

\$ millions	2005	2004
Net Written Premium	\$803	\$757
Combined Ratio	101.8	99.3
Return on Surplus and Equity	7.0%	14.4%
Surplus and Equity	\$524	\$495
Premium to Surplus Ratio	1.5:1	1.5:1

For more details regarding our financial results, see pages 25–27.



PARTNERING *with* **PREMIER AGENCY** *to Secure our Niche*

Dan Murray (center left), Marketing Manager
Christopher Ross (center right), Managing Partner
Lawley Service Inc.
Buffalo, N.Y.

Brian Fancher (far left),
Commercial Lines Underwriter
Syracuse Region

Judy Kavanaugh (far right)
Agency Development Manager
Buffalo, N.Y.

The Main Street America Group's Syracuse Region and Lawley Service Inc., a Buffalo, New York-based customer, worked in perfect tandem in 2005 toward profitable results and the future.

In fact, this strong partnership of the two organizations has helped Main Street America become one of the top three carriers in the market.

"The marketplace is constantly changing," said Dan Murray, Lawley's marketing manager. "Many carriers are going out of business. There have been several mergers and acquisitions. We are even finding that some carriers are exiting the Contractor business. But amidst this constant change, Main Street America has remained consistent in the marketplace and positioned itself well for future growth."

Last year, Lawley generated \$150 million in premium through its eight locations across New York state, including approximately \$1.5 million of premium with Main Street America.

Lawley is a full-service independent agency that provides a variety of Commercial Lines and Personal Lines products and services to its customers. Founded in 1945, the agency has grown to become one of the most dynamic insurance organizations in the Northeast, as well as the 84th largest independent agency in the United States.

Lawley primarily concentrates on the mid- to large-market segment, but they also write a lot of Small Artisan/Contractor business.

Main Street America's partnership with Lawley began in 2004.

"Based on my long-term relationship with Lawley, I knew we could partner with them to grow our Main Street niche in the Buffalo market," said Judy Kavanaugh,

Main Street America's Buffalo-based agency development manager. "I demonstrated how our organization's appetite to write Main Street business would enhance their value and revenue stream."

Among Lawley's core values is a tradition of maintaining trusting relationships with customers and insurance companies. Dan stresses that success in the insurance business is based on strong relationships.

"We don't do business with Main Street America. We do business with their people," Dan said, referring to the Main Street America's Western New York Territory Team of Territory Manager Jim Cohen and Commercial Lines Underwriter Brian Fancher and Judy. Dan added he can talk to anyone on the team and quickly get the help he needs.

"Lawley is part of our team. They take pride in what they do. They are thorough and professional, plus there is a big trust level between us and them," Judy said.

In addition to the agency's tradition of maintaining trusting relationships, the utilization of state-of-the-art technology underscores its commitment to the future. And, according to Dan, technology is critically important to Lawley's success.

"Main Street America makes it easy for us to do business with them," Dan said. Dan said Lawley engages Transformation Station™, a single-entry system, to perform real-time transactions and provide better and faster customer service for our insureds.

"Ease of doing business with our customers is another key differentiator for us in the marketplace," Judy said. "Lawley takes advantage of the automation tools we provide them and this clearly enhances our strong relationship and benefits our policyholders."

"Main Street America makes it easy for us to do business."

—Dan Murray



A Step

ABOVE THE REST

Staying Focused on the Field

Personal interaction is at the heart of how The Main Street America Group stays close to our customers, particularly in states where we do not have regional offices, said Vee Lindsey, senior Commercial Lines team underwriter in Pennsylvania.

“The relationship that we build with our customers goes beyond the competition,” Vee said. “We take the time to get to know them—learn about their needs and concerns.”

Vee works out of her home in Harrisburg, Pa., and spends two to three days a week in customers’ offices “drumming up business.” Vee is joined by approximately 50 other Main Street America territory managers, agency development managers and underwriters who work out of their home offices in the 16 states where we write business.

Brian Mahoney, Georgia agency development manager based in Cumming, says he acts as a consultant for his customers. He enjoys sharing solutions to challenges he has seen other agencies face.

“Independent agencies have many choices, so it is important for us to visit the agency on a regular basis,” Brian said. “During our visits, we bring value—not just social chats. These are informative sessions that can help our customers write more business with us.”

Kelly Stacy, Main Street America’s senior vice president of Field Operations, echoes Brian’s sentiments on the importance of being in tune with customers’ needs and maintaining face-to-face contact.

“In our business, very simply, the more times you walk through the door and work directly with CSRs, the stronger the relationship becomes and the more success you are going to have,” Kelly said. “It is hard to take care of the customer unless you can physically be there with some regularity.”

Frank Long, Tennessee agency development manager based in Nashville, recently encountered a situation where it proved advantageous to be plugged into the news from his customers’ communities. While reading the *Tennessean*, Nashville’s daily newspaper, Frank discovered an article about Tennessee’s state legislators pushing a bill to make it mandatory for insurance carriers to cover sinkhole collapses.

“After consulting with Underwriting, we immediately started the process of putting this coverage in place for our customers,” Frank said. “If I were based in our regional office in Richmond, Va., I would have been three to four weeks behind the curve on this issue.”

According to Kara Milair, Northern New England territory manager based in Windham, Maine, field employees help Main Street America succeed by working together to develop strategies to increase profitability and build partnerships with agencies.

“What differentiates Main Street America is that we hire unbelievably passionate, talented people,” Kara said. “We take it more seriously than our competition. We follow through better than any other company with agency concerns and issues.”

“What differentiates Main Street America is that we hire unbelievably passionate, talented people.”

—Kara Milair



FLORIDA FOUNDATIONS LEAD TO **GEORGIA GROWTH**

Bill Shirkey (back center)
Territory Manager
Jacksonville Region

Mike Sihle (left), Jerry Sihle (front center), Ken Sihle (right)
Sihle Insurance Group
Altamonte Springs, Fla.

For nearly 25 years, The Main Street America Group has maintained a presence in the state of Florida by fostering personal customer relationships, practicing our “ease of doing business” philosophy and establishing short lines of communication. Through our carrier, Old Dominion Insurance Company, we have developed several long-lasting partnerships that span more than two decades.

This steadfast commitment has helped propel 31 of our Florida customers to annually produce in excess of \$1 million in premium apiece with us. Sihle Insurance Group, based in Altamonte Springs, Fla., with four other Florida locations, is one of our largest-producing customers in the state. During its four-year partnership with Main Street America, the agency has grown to produce more than \$4.5 million annually in written premium with us.

The agency was founded in 1974 by Jerry Sihle, the agency’s president. It has grown in size from two employees to approximately 140 today. It also has grown into a family operation with Jerry’s two sons, Ken and Mike, joining the business in the late ’80s and early ’90s, respectively. This sense of family at Sihle Insurance Group has carried over into its strong relationship with Main Street America.

“There is personal interaction with every level of the organization—from executives to underwriters,” said Ken Sihle, the agency’s vice president. “Main Street America listens to our comments and concerns and responds to them. It is one of the best companies we represent, no question about it.”

The Jacksonville Region is using our formula for success in Florida as the blueprint for thriving in Georgia. We

reentered the Georgia Commercial Lines market in 2000. In 2006, Personal Lines products are being introduced to help us achieve our goal of \$50 million in premium in the state by 2010.

“Georgia will be an integral part of our organization’s volume going forward,” said Joe Grauwiler, Jacksonville Region vice president. “Georgia business is important because it allows us to counter hurricanes that impact Florida.”

To tackle the state, Jacksonville Region team members have engaged the Operation Bulldawg sales campaign. This campaign plays off Georgians’ love for one of the state’s college team mascots—the University of Georgia bulldog. The program encourages customers to submit business to Main Street America by awarding coveted prizes, such as football tickets to a major annual rivalry, the Georgia vs. Florida Football Classic in Jacksonville.

The bulldog is also used in collateral materials because the canine is known for being tenacious, a trait the Jacksonville Region team plans to emulate. “We stick by our goals and persevere under pressure—just like the bulldog,” Joe said.

Rex Templeton Sr., president of Morris & Templeton Insurance in Savannah, Ga., began writing policies for Old Dominion in 1985, making the agency the longest-term Main Street America customer in the Peach State. Morris & Templeton currently produces approximately \$1 million in annual premium volume with Main Street America and sees an opportunity to increase its business with us. “We are extremely excited about the Personal Lines products Main Street America is bringing to our state,” Rex said. “We hope to be a big player in their Personal Lines volume.”

Rex Templeton Sr.
President
Morris & Templeton Insurance
Savannah, Ga.



“We are extremely excited about the Personal Lines products Main Street America is bringing to our state.”

—Rex Templeton Sr.

SENIOR
STAFF



President and CEO Tom Van Berkel (standing) meets with several of Main Street America's senior staff members, including (from left to right):

Bill McKenna, Vice President, Legal, and Corporate Secretary

Kelly Stacy, Senior Vice President, Field Operations

Toni Porterfield, Senior Vice President, Human Resources

Ed Lotkowski, Vice President and Corporate Actuary

Ed Kuhl, Senior Vice President and Chief Financial Officer

The Main Street America Group Consolidated Statutory-Basis Balance Sheets

Unaudited
(\$000)

	As of December 31,	
	2005	2004
Assets:		
Investments:		
Tax-Exempt Bonds	\$ 255,901	\$ 189,871
Taxable Bonds	689,335	677,774
Common Stocks	231,596	191,248
Preferred Stocks	22,884	34,557
Cash and Equivalents	24,293	12,832
Other Investments	22,031	20,926
Total Cash and Investments	1,246,040	1,127,208
Agents Balances	202,842	193,622
Reinsurance Recoverables	6,743	14,860
Deferred Tax Asset	42,612	40,116
Other Assets	29,968	23,268
Total Admitted Assets	\$ 1,528,206	\$ 1,399,073
 Liabilities, Surplus and Equity:		
Loss Reserves	278,476	241,938
IBNR	170,334	150,312
Unpaid Claims Expenses	79,778	58,836
Unearned Premiums	395,856	372,478
Expenses and Taxes Payable	23,582	33,595
Claim Checks Outstanding	24,234	21,602
Other Liabilities	31,637	25,057
Total Liabilities	1,003,896	903,819
Minority Interest in Subsidiaries	146,328	136,947
Policyholder's Equity	347,982	328,307
Surplus Notes	30,000	30,000
Total Surplus and Equity	524,310	495,254
Total Liabilities, Surplus and Equity	\$ 1,528,206	\$ 1,399,073

**The Main Street America Group
Consolidated Statutory-Basis Statements of Operations
and Changes in Surplus and Equity**

Unaudited
(\$000)

	Year Ended December 31,	
	2005	2004
Statement of Operations:		
Net Premiums Written	\$ 802,652	\$ 757,425
Premiums Earned	779,274	726,080
Losses Incurred and ALAE	506,573	453,525
Claims Expenses	23,647	22,317
Commissions	150,990	147,721
Other Expenses	119,883	108,165
Total Underwriting Expenses	801,092	731,729
Net Underwriting Gain (Loss)	(21,818)	(5,649)
Net Investment Income	43,022	40,934
Realized Investment Gains	11,866	12,968
Other Income and Expenses	(1,834)	1,617
Income (Loss) Before Taxes	31,236	49,870
Income Taxes	10,038	12,119
Net Income	\$ 21,197	\$ 37,751

Statement of Surplus and Equity:

Surplus and Equity, January 1,	\$ 495,254	\$ 437,962
Change in Surplus and Equity:		
Net Income	21,197	37,751
Net Unrealized Gain from Investments	8,084	9,082
Change in Non-Admitted Assets	(2,577)	4,125
Change in Net Deferred Tax Asset	2,495	4,036
Other Statutory Changes	(144)	2,298
Change in Surplus and Equity	29,056	\$57,292
Surplus and Equity, December 31,	\$ 524,310	\$ 495,254

The Main Street America Group
Consolidated Statutory-Basis Statements of Cash Flow

Unaudited
(\$000)

	Year Ended December 31,	
	2005	2004
Cash Flows from Underwriting Activities:		
Net Premium	\$ 791,296	\$ 746,714
Losses	(418,323)	(400,451)
Claims Expenses	(23,647)	(21,210)
Commissions	(155,360)	(140,973)
Other Expenses	(108,441)	(104,339)
Net Cash Provided by Underwriting Activities	85,526	79,740
Investment Income, net of expenses	47,264	45,708
Income Taxes	(14,883)	(5,915)
Capitalized Spending	(7,730)	(8,302)
Miscellaneous Transactions	926	5,711
Pension Contribution	(6,000)	(6,000)
Net Cash Provided by Operating Activities	105,103	110,943
Cash Flows from Investing Activities:		
Proceeds from Fixed Maturities Sold	317,376	447,771
Proceeds from Equity Securities Sold	85,762	75,530
Other Proceeds	379	(348)
Purchase of Fixed Maturities	(395,782)	(540,627)
Purchase of Equity Securities	(101,378)	(103,721)
Net Cash Used in Investing Activities	(93,642)	(121,395)
Net Change in Cash and Cash Equivalents	11,461	(10,452)
Cash and Cash Equivalents, Beginning of Year	12,832	23,284
Cash and Cash Equivalents, End of Period	\$ 24,293	\$ 12,832

BOARD OF
DIRECTORS



Top row from left to right:

James E. Morley Jr., President and CEO, NACUBO, Washington, D.C.
Terry L. Baxter, Retired Executive, Lyme, N.H.
William D. Gunter Jr., Chairman and CEO, Rogers, Gunter, Vaughn Insurance Inc., Tallahassee, Fla.
Thomas M. Van Berkel, President and CEO, The Main Street America Group, Jacksonville, Fla.
Albert H. Elfner III, Retired Executive, Boston, Mass.

Center row from left to right:

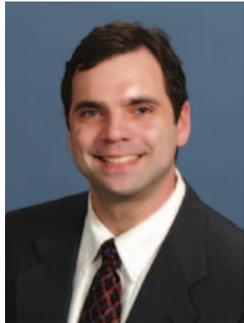
K. Thomas Kemp, Retired Executive, Hanover, N.H.
David Freeman, President and CEO, Lydall Inc., Manchester, Conn.
Philip D. Koerner, Former President and CEO, The Main Street America Group, Jacksonville, Fla.
Cotton M. Cleveland, President, Mather Associates, New London, N.H.

Bottom row from left to right:

John Delaney, President, University of North Florida, Jacksonville, Fla.
Robert L. Seelig, Vice President and General Counsel, White Mountains Insurance Group Ltd., Hanover, N.H.
Barbara D. Stewart, President, Stewart Economics Inc., Atlanta, Ga.
M. Lewis Temares, Ph.D., Vice President of Information Technology and Dean of College of Engineering, University of Miami, Coral Gables, Fla.

Seven Main Street America employees have been inducted into the organization's prestigious Circle of Excellence:

Jason Hartman, Claim Representative III, Jacksonville Region
Jim Konopka, Quality Assurance Engineer Lead, Information Technology, Keene
Sue MacPhee, Senior Administrative Assistant, Auburn
Bill Mitchell, Facilities Project Coordinator, Administrative Services, Keene
Dennis O'Neill, Senior Claim Representative, Auburn
Dan Pringle, Manager, Personal Lines Product, Jacksonville
Caroline Stauers, Agency Development Manager, New England Region



Jason Hartman



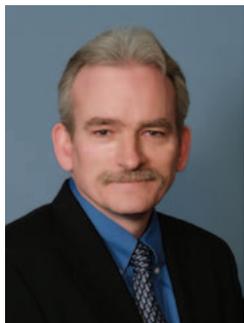
Jim Konopka



Sue MacPhee



Bill Mitchell



Dennis O'Neill



Dan Pringle



Caroline Stauers

Established in 1985, The Circle of Excellence is an annual recognition program for our employees. Circle of Excellence members are nominated by fellow employees and selected by the company's senior management team for their embodiment of the organization's core values: Ownership, Relationships and Service.

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RICHMOND REGION

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(800) 446-7649

SYRACUSE REGION

220 Salina Meadows
Suite 200
Syracuse, NY 13212
(800) 962-5515

JACKSONVILLE REGION

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THE MAIN STREET AMERICA GROUP

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Main Street America Assurance Company • MSA Insurance Company
Information Systems and Services Corporation

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