



Our People  
Are Our  
Strength



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The Main Street America Group  
2004 Annual Report





*Marty Haas, Manager, Applications Programming, Corporate, Keene*

# Our People Are Our Strength

## Table of Contents

	Page
Our People Are Our Strength – Letter From the President	2
Financial Strength	5
Rebuilding People's Lives	6
It Takes a Team of People to Drive Ease of Doing Business	10
People Walk the Extra Mile to Achieve Profitable Results	12
People Uniting For Strength	14
On a More Personal Note	16
People Excelling	18
Completing the People Picture	19
Board of Directors	20
Corporate and Regional Offices	20
2004 Financial Results	21



## The Main Street America Group 2004 Annual Report

*Pictured above: Charlie McGill, Territory Manager, New England Region  
Mary Broy, Agency Development Manager, Richmond Region*

# Our People Are Our Strength



Tom Van Berkel, President and CEO

*“We did not know how severe that test would be from a business and personal perspective.”*

As we reflect on 2004, several major themes emerge. First, it was a year of extraordinary events. Charley, Frances, Ivan and Jeanne are names that we will long remember. As these four hurricanes neared our shores and preparations were made to limit the damage or evacuate those in the path of the storms, we knew that The Main Street America Group would be put to the test. We did not know how severe that test would be from a business and personal perspective.

These storms, four of the top six most-devastating hurricanes in U.S. history, tested our financial strength, our core values of ownership, relationships and service, and our delivery of the “MSA Experience.” Throughout this report, you will read about how proud I am to say we passed every test presented to us by these storms with flying colors. That would not have been possible without the trusted relationships we have built with our independent agent-customers and the herculean efforts of the entire Main Street America Group team.

Our second emerging theme begins with our customers, the 1,100 dedicated independent insurance agents in 16 states who represent us. As “trusted advisors” for your clients, you trust us with your policyholders. Thank you for your confidence and trust in us and thanks for being committed to “rebuilding people’s lives.” Last year, more than ever before, our customers were thoroughly challenged in many ways. Those in harm’s way looked for innovative methods to continue serving their customers, while those not directly in the path of destruction exhibited great patience so that those in need could be quickly serviced.

Whether in the wake of the storms or not, our customers’ dedicated efforts and the dedicated efforts of their employees, day-to-day, enabled

us to strongly deliver the MSA Experience throughout the year.

Our third theme is the heroic efforts accomplished by our own people. Last year was an extreme challenge for our team. All of our employees exhibited their commitment to our core values by either directly supporting the rebuilding efforts of customers, or providing support to those who did. Our claims team processed over 5,100 claims from the four hurricanes. A claims service center focusing on first notice of loss related to storm action was in place to support responsiveness. Our

Jacksonville-based claims professionals continued to deliver excellent service while ensuring the safety of their own families and securing their homes. From Maine to Florida, our employees worked tirelessly to deliver the MSA Experience despite the waves of new claims. Thanks for making it look effortless and continuing our tradition of exceptional service.

As people united, customers and employees, we stand together to continue our tradition of building lasting relationships, servicing our customers and our customers' customers better than anyone else.



*Jo Ann Verdolino, Senior Claims Representative, Richmond Region*

*“Last year was an extreme challenge for our team.”*



*Dan Pringle, Manager, Personal Lines Products, Corporate, Jacksonville*

## Our People Are Our Strength



*Jan Zinn, Corporate Claims Administrative Coordinator, Jacksonville*

Our financial stability enabled us to weather these storms in 2004. Despite gross claims paid of \$75 million-plus, our financial results were very satisfying and in line with the industry average. While financial details are provided on the next page, I would be remiss not to highlight a few of our 2004 achievements:

- Net written premium grew to \$757 million.
- Combined ratio of 99.3.
- Return on equity of 14.4 percent, the second consecutive year of strong ROE performance.
- AM Best affirmed our "A" rating. We are committed to constantly improving our financial strength.

In our 2002 report, I stated, "We will not rest until we deliver complete desktop functionality to each and every independent agency customer in our franchise." We made great progress in this area during 2004. We released new desktop and Web-based options to support our agents' vision of "once and done." We accomplished this by asking for input through a series of customer focus groups prior to development. Once again, we proved our commitment to building lasting relationships.



I have provided only a snapshot of 2004. The following pages focus on the exceptional efforts of our people, customers and employees, in what proved to be an exceptional year.

*Tom Van Berkel, President and CEO*

The Main Street America Group is pleased to report some very respectable results for 2004. Despite the unprecedented level of catastrophic losses caused by the hurricanes in Florida, we ended the year with a combined ratio of 99.3.

The four hurricanes that hit Florida resulted in claims in excess of \$75 million before reinsurance and nearly \$39 million after recoveries. The impact was over 5 percentage points on our combined ratio.

The MSA Group benefitted from its careful and conservative planning, especially regarding reinsurance, and weathered the storms admirably. Despite the large losses, our year-end numbers were strong:

- Combined ratio of 99.3.
- ROE of 14.4 percent.
- Surplus and equity grew \$57 million to \$495 million.
- Direct premium written grew 8.7 percent.

Additionally, we generated \$107 million in net cash flow and grew our invested assets by \$135 million. Our net premium written grew to \$757 million, while our premium-to-surplus ratio improved to 1.5:1.

Our three regions not impacted by the hurricanes all reported combined ratios under 94 with an average of just over 92, and shared those good results by paying out just over \$20 million in profit-sharing commissions to our agents. Our personal lines and commercial lines operations both reported combined ratios under 100. This was a particularly fine result for commercial lines, as the hurricane losses added 10 percentage points to its loss ratio.

Our investment results were also strong. We exceeded our plan for the year by \$15.9 million, mostly coming from our equity portfolios. Some of this better-than-planned result reflects the general performance of the investment markets, where the Standard & Poors 500 was up 11 percent and the Russell 3000 increased 12 percent. However, our performance outpaced the indices with a 15.3 percent return after fees. Our fixed-income portfolio also performed well, as it exceeded the Lehman Aggregate Index by .5 percent after fees.

## Surplus Growth



\$ millions	2004	2003
Net Premium Written	\$757	\$713
Combined Ratio	99.3	98.2
Return on Surplus and Equity	14.4%	20.5%
Surplus and Equity	\$495	\$438
Premium to Surplus Ratio	1.5:1	1.6:1

# Rebuilding People's Lives



*Chris Henderson, Agency Development Manager, Jacksonville Region*

Never before in U.S. history have four major hurricanes hit the state of Florida within a two-month period. The damage was immense – more than \$23 billion in claims were reported industry-wide. Businesses and homes were destroyed, people's lives were turned upside down.

The Main Street America Group was not immune to the impact. However, strong catastrophe planning and a prudent reinsurance program were able to reduce our direct losses. We received 5,156 claims and estimate over \$75 million in claims paid. Reinsurance will bear 49 percent of the burden.

Statistics do not describe the story of the hurricanes. The aftermath of sustained winds of 140 mph and horizontal rain gets us closer to the real story. The real story is about people...people who shuttled back and forth across the state helping agents whose office buildings were no longer standing or accessible, or who were without power. People who worked 12-hour days, nights and weekends to settle claims and issue checks to policyholders as quickly as possible. Their efforts best illustrate the effects of the storm and the true spirit of The Main Street America Group's employees. From the claims adjusters in Auburn, Mass., to the field representatives in Punta Gorda, Fla., we are proud and grateful for their work and concern for the welfare of our customers and our customers' customers.



Dave Amberg, Amberg Agency, Punta Gorda



## JACKSONVILLE REGION

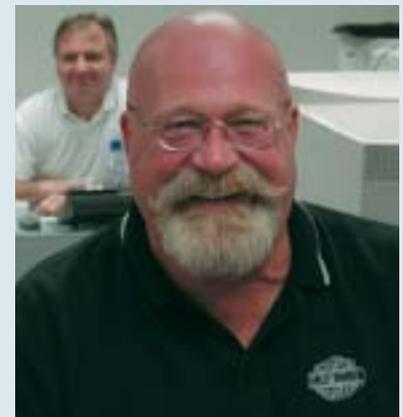
### The Challenge of Charley – The Amberg Agency in Punta Gorda

Hurricane Charley hit Punta Gorda hard. The force of the storm was devastating. "It looked like a war zone," commented Chris Henderson, Jacksonville Region's agency development manager. "On every single street, telephone poles were down, roofs were ripped off, car windows were smashed. There was glass everywhere."

One of our agencies, the Amberg Agency in Punta Gorda, experienced the devastation first-hand. Its building had severe roof damage, no power or running water. The agency quickly went into action and rented a motor home and were hand-writing loss reports for the hundreds of policyholders who were waiting in line. When Chris and Territory Manager John Schwartz arrived with water, fuel and ice, the agency personnel were extremely grateful. John and Chris also brought a supply of ICS draft checks so the Amberg Agency could issue payments on the spot to the most needy policyholders.

*"It looked like  
a war zone."*

*– Chris Henderson*



Steve Benaski, Director, Property Claims,  
Corporate, Jacksonville



Sue Williams, Senior Commercial Lines Underwriter,  
Jacksonville Region

*“We were able  
to save our  
files, but lost  
everything else.”*

*– Dave Amberg*

Although the supplies were welcomed, the Amberg Agency had bigger problems. They were taking in hundreds of loss reports but had no way to get them to their carriers. Understanding the need, Chris and John took action. They contacted another Main Street America Group agency located 30 miles away, Risk Management Insurance of

Fort Myers, Fla., that assisted them by faxing loss reports to our service center. So, for the next two days, John and Chris shuttled paperwork from the Amberg Agency to Fort Myers. In their spare time, they scoured the area for ice, water and gasoline to bring back to Punta Gorda. Chris and John did all they could to help.



Kim Biddle, High Frequency Express Unit Manager  
Tina Leblanc, High Frequency Complex Unit Manager  
Claims Center, Auburn

“In addition to the damage in our Punta Gorda office, our branch office in Port Charlotte had the roof collapse, and the building was condemned. We were able to save our files, but lost everything else,” said Dave Amberg, owner of the Amberg Agency. “For years, I kept over 2,000 Acord forms wrapped in extra thick plastic bags. This precaution saved us. Picking up claims and dropping off drafts were just a few examples of how The Main Street America Group’s dedicated people helped people. Hooray, Main Street America Group!!!”



There is no way to anticipate the fierce impact of four major hurricanes on the East Coast. Claims handlers from across the United States flocked to devastated sights to expedite processes so that policyholders could begin to “rebuild their lives.” The Main Street America Group’s claims organization rushed to the aid of customers and customers’ customers as well; not only in Florida, but in any of the 16 states serviced by us where there had been an impact. Around-the-clock support was the only way to make progress. All of our claims offices shifted resources to provide a “WOW!” experience for customers and claimants alike.

When we say “people are our strength,” we mean it and we see it exhibited every day despite the circumstances.

In Richmond, for example, Scott Shafer, our senior claims representative, adjusted his personal leave plans despite having a new baby on the way, in order to serve customers.

Scott had scheduled an eight-week leave to help with the new addition to his family. Then the storms hit. The baby girl arrived, but Scott altered his plans by installing an extra phone line in his home so that he could help out. Customers may have been surprised to hear a little one crying in the background, but they were also surprised that they had connected with a “real person.” By making this accommodation, Scott was able to provide “round-the-clock baby support” and “round-the-clock customer support.”



*Scott Shafer, Senior Claims Representative, Richmond Region*

## People in the Eye of the Storms

The storms of the century were experienced first-hand by our Jacksonville-based employees. With storms passing to the right and left, our people were directly impacted in many ways. Our first concern was for everyone’s safety, and the safety of their families. Continued operations despite what might happen was a secondary but critical concern. Ultimately, making sure that back-up and contingency plans were in place, whatever the situation, became the goal.

Thanks to the dedicated efforts of our people, all concerns were addressed expediently. People working together with a common goal can produce incredible results. Once again, proving that even in the eye of a storm, our people are our strength.

# It Takes a Team of People to Drive Ease of Doing Business



*Diane McWhorter, Senior Agency Automation Specialist, Corporate, Keene*

The Main Street America Group's objectives in delivering technology are to make it easier for our agents to do business with us and to serve our customers better than anyone else. Delivering on this promise requires the dedicated effort of teams of people from many functions.

Our internal team, which includes personnel from information technology, marketing, communications, personal lines and commercial lines, knows what this is all about.

"Our team worked together to provide our agents with 'once and done' technology this year, thanks to many dedicated employees and agent-customers," said Greg Manning, marketing assistant vice president. "We were particularly proud of the partnerships our team formed with other vendors so that our agents could transact business directly from their agency management systems."

Diane McWhorter, senior agency automation specialist, is at the center of this process. Diane coordinates many aspects of the team's functions. She works with our IT department to develop user-interface screens that are easy to use and understand. Diane then develops training material to bring the functionality to our field staff. She works with vendors to coordinate integration between their products and our systems. Diane also talks directly to agents to walk them through the many new capabilities we rolled out in 2004.



George Roy, Lead Business Systems Analyst, Corporate, Keene

"One of the most significant improvements we made last year was commercial lines new business application submission directly from our Web site," said Diane. "Agents can fill in the application, push a button and electronically transmit the form directly to us. The application has been extremely well-received because it speeds up issuance and cuts down on delays due to missing information." Commercial lines new business can also be submitted directly from an Applied System by utilizing Transformation Station.

"Another milestone in 2004 involved our partnering with AMS Afw to allow agents using that system to upload personal lines new business," said Greg. "Our plans for 2005 include expanding these capabilities with most agency management systems."

Joanne Litwin, from Litwin Castle & Christ of Orchard Park, N.Y., comments, "I've been so impressed with the technology The Main Street America Group has delivered this year. But, what I'm more impressed with is the way they listen to the agents and solicit feedback before they develop their applications. They take the time to understand our needs first and design capabilities to fit, not the other way around. It just makes our jobs so much easier."

It takes committed effort, energy and focus on the customer by a solid team, including people like Diane, in order to ensure that The Main Street America Group provides "ease of doing business."



Marcy Doolittle, Data Entry Operator, Policy Services Department, Corporate, Keene

*"I've been so impressed with the technology The Main Street America Group has delivered this year."*

*- Joanne Litwin*

People Walk the Extra  
Mile to Achieve  
Profitable Results



*Mary Broy, Agency Development Manager,  
Richmond Region*

## RICHMOND REGION



*Bob Blackburn, Diane Frazier, Dee Holt and Charlie Somnardahl,  
Bond Department, Richmond Region*



*Marty Bramhall and Phil Ranalli, Bramhall & Hitchen, Wilmington*

Phil Ranalli of Wilmington, Del., has been representing National Grange Mutual for 25 years. When he joined the Bramhall & Hitchen agency in 2003, his partner, Marty Bramhall, was not as familiar with National Grange.

Bob Rembecki, senior commercial lines team underwriter for National Grange and native of the Wilmington area, spent extra time educating the agency on our company's products and services. In addition, Bob consulted with them whenever they needed it.

Mary Broy, agency development manager for the state of Delaware, worked very closely with Marty and Phil and their agency manager, Denise Kozel, to help develop plans to profitably grow their business. She joined the Independent Insurance Agents of Delaware and attended their meetings to stay in touch with the challenges and concerns of Delaware agents.

"I really didn't do anything unique. I was just doing my job," said Mary. "I have a wonderful relationship with everyone in this agency and it's been a pleasure helping them increase their Main Street America business."

As a result, over the past two years, the agency grew their commercial lines book with us by more than 18 percent, and ended 2004 with a loss ratio of 36.6.

*"I really didn't do  
anything unique.  
I was just  
doing my job."*

*- Mary Broy*



*Marla Taylor, Receptionist, Richmond Region*

# People Uniting For Strength



*Martha Murray, Agency Development Manager, Syracuse Region*

## SYRACUSE REGION



*The North Country Cluster:  
Seated: Grant "Bud" Dier, Rosie Robbins  
Standing left to right: Jill Brown, Doug Dier, Carol Worden,  
Scott Smith, Jim Phillips, Jerry Adams, Joe Weekes, Russ Strait, Joe Rizzo, Jim Cutler, Ed Olmsted*

The year is 1989. The location: New York's North Country. A group of six agencies formed an alliance to pool resources and increase their effectiveness in decision-making, negotiating company contracts, leveraging advertising and improving business planning. They formed a "cluster."

Since then, the cluster has expanded to include 14 agencies. This expansion was a bit overwhelming, and the cluster "knew they needed help to adjust to the new paradigm." Enter Martha Murray, National Grange Mutual's agency development manager for the North Country. Martha, understanding that the first order of action was to determine the status of issues, conducted a workshop for the group to determine their strengths, weaknesses, opportunities and threats.

With Martha's guidance, the cluster was able to develop a list of priorities and to form working committees to address pressing issues. Group members were amazed at the similarity of their concerns and experiences.

Martha's involvement has not stopped there. She has continued to work with them to assist in developing advertising campaigns, signs, an application to use with potential new members, spreadsheets for tracking commissions, employee training and sponsoring newly licensed employees. These

new initiatives, along with assistance from our Syracuse-based management, including underwriting and pricing, have allowed Martha to develop a true partnership with the North Country Cluster.

"It's been so rewarding and fun to work with this group," Martha said. "We've become not only great working partners, but friends as well. We really care about each other and we are committed to each other's success."

"Martha's been a driving force in helping our cluster grow," notes Scott Smith from Neighbors Insurance, Sidney, N.Y. "She has worked with us to produce a profitable book of business with her "field underwriting" and has been a positive influence in formulating a business plan that will insure our success for years to come. The relationship we have developed with Martha is a true partnership."

Once again, showing that strength comes from people uniting and forming strong committed relationships. In this case, financial strength was the result.



*Dave Hall, Lead Commercial Lines  
Team Underwriter, Syracuse Region*

# On a More Personal Note



*Dave Whelan, Senior Commercial Lines Team Underwriter, New England Region*

## NEW ENGLAND REGION

As a senior commercial lines team underwriter, Dave Whelan is responsible for accomplishing profit and production objectives for two of National Grange Mutual's largest agencies totaling more than \$25 million in premium. He accomplishes this by completing risk assessments, selecting businesses for quotes and building excellent agency relationships in order to do so. Dave completes his duties with technical know-how, excellent communication and critical thinking skills. In short, he is immersed in performing his day-to-day responsibilities within our New England Region. Among the many contributing factors that make Dave successful are his drive, determination and perseverance.

But Dave's drive and determination are not confined to his office. His father, diagnosed with renal kidney disease in September 2003, was faced with one of two options: long-term dialysis or a kidney transplant. Without one of these options, his father's condition would be fatal. Not willing to accept the latter, Dave's siblings and father weighed the pros and cons and, after much thought and family discussion, determined that a kidney transplant was the best option. Within a few weeks, each sibling had completed extensive medical tests to determine who would have the best tissue match. Shortly thereafter, Dave received a call from the medical center with the news that he was the best match. Without hesitation, he said that he would do it.



*Leah Walsh, Regional Underwriting Manager, Chris Sears, Regional Coordinator, New England Region*

"When you have family in need, you do it. You just don't think of anything else. I know he'd do it for me," Dave said.

Assuming risk is the life of an underwriter.

"There are risks in everything that you do in life," Dave added. "What could go wrong is part of that thinking." In this case, as in business applications, solving the puzzle is the answer. For Dave, solving this puzzle is personal.

He and his father will undergo the complex surgery soon.

A number of his peers have known what he is about to do for some time now. One peer describes his actions as that of a "hero."

The support of his co-workers engulfs Dave and will make it easier for him as he recuperates from his surgery.

Because The Main Street America Group's employees rally to help one another and share Dave's values, his decision and future journey will be an easier one.

*"There are risks  
in everything  
you do in life."*

*- Dave Whelan*



*Tracy Castor, Senior Commercial Lines Team Underwriter, New England Region*

# People Excelling

## 2004 Circle of Excellence

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**Mary Broy**  
Agency Development Manager  
Richmond Region



**Tom Frazier**  
Manager, Treasury Services  
Corporate, Keene



**Chris Harper**  
Senior Personal Lines Product Analyst  
Corporate, Jacksonville



**Joel Heller**  
Business Development Manager  
New England Region



**Jeff Matthews**  
Senior ISS Program Manager  
Keene



**Nancy Preus**  
Purchasing Coordinator  
Corporate, Keene



**George Rivett**  
Manager, Adjuster Center Operations  
Claims Center, Auburn



**Michele Seymour**  
Manager, Compensation  
Corporate, Jacksonville



**Penny Smith**  
Senior Commercial Lines Team Underwriter  
Jacksonville Region



**Lisa Wood**  
Regional Office Services Manager  
Syracuse Region

# Completing the People Picture

## Strength of Our Senior Staff



*Back row: William McKenna, Vice President, Legal and Corporate Secretary; Richard Kelly, Vice President and Chief Investment Officer; Joseph Grauwiler, Vice President, Commercial Lines; Jeanne Eddy, Executive Vice President, Corporate Strategic Support; Joel Gelb, Vice President and Chief Information Officer; Antonia Porterfield, Vice President, Human Resources; Kelly Stacy, Senior Vice President, Field Operations.*

*Front row: Edward Kuhl, Vice President and Chief Financial Officer; Thomas Van Berkel, President and CEO; Stephen Canty, Senior Vice President, Claims; Scott Gerlach, Vice President, Personal Lines.*

# Board of Directors



**Seated from left to right:**  
*M. Lewis Temares, Ph.D.,  
 Vice President of Information Technology and Dean of  
 College of Engineering, University of Miami, Coral Gables, Fla.*

*Thomas M. Van Berkel, President and CEO  
 The Main Street America Group, Jacksonville, Fla*

*Phillip D. Koerner, Chairman  
 The Main Street America Group, Jacksonville, Fla.*

*David Freeman, President and CEO  
 Lydall, Inc., Manchester, Conn.*

**Standing from left to right:**  
*William D. Gunter, Jr., Chairman and CEO  
 Rogers, Gunter, Vaughn Insurance, Inc., Tallahassee, Fla.*

*Terry L. Baxter, Retired Executive, Lyme, N.H.*

*Albert H. Elfner III, Retired Executive, Boston, Mass.*

*Cotton M. Cleveland, President, Mather Associates  
 New London, N.H.*

*K. Thomas Kemp, Retired Executive, Hanover, N.H.*

*Barbara D. Stewart, President, Stewart Economics, Inc., Atlanta, Ga.*

*James E. Morley, Jr., President, NACUBO, Washington, D.C.*

*Robert L. Seelig, Vice President and General Counsel  
 White Mountains Insurance Group, Ltd., Hanover, N.H.*

## Corporate and Regional Offices

### Corporate Offices

#### *New Hampshire*

55 West Street, Keene, NH 03431  
 (800) 258-5310



#### *Florida*

4601 Touchton Road East, Suite 3400,  
 Jacksonville, FL 32245  
 (800) 207-0446



### New England Region

55 West Street, Keene, NH 03431  
 (603) 352-4000

#### **Auburn Claim Center**

27B Midstate Drive, Auburn, MA 01501  
 (877) 425-2467



### Richmond Region

5101 Cox Road, Suite 100, Glen Allen, VA 23058  
 (804) 270-6611



### Syracuse Region

220 Salina Meadows, Suite 200, Syracuse, NY 13212  
 (315) 434-1400



### Jacksonville Region

4601 Touchton Road East, Suite 3300,  
 Jacksonville, FL 32245  
 (904) 642-3000

### Information Systems and Services Corporation

55 West Street, Keene, NH 03431  
 (603) 358-1247

### Legal Offices

60 East 42nd Street, Suite 601, New York, NY 10165  
 (212) 972-0592

27B Midstate Drive, Auburn, MA 01501  
 (866) 290-7435

# 2004 Financial Results

## The Main Street America Group Consolidated Statutory-Basis Balance Sheets Unaudited (\$000)

	As of December 31,	
	2004	2003
<b>Assets:</b>		
Investments:		
Tax-Exempt Bonds	\$ 189,871	\$ 40,675
Taxable Bonds	677,774	729,418
Common Stocks	191,248	145,625
Preferred Stocks	34,557	30,561
Cash and Equivalents	12,832	23,284
Other Investments	20,926	18,890
<b>Total Cash and Investments</b>	<b>1,127,208</b>	<b>988,452</b>
Agents Balances	193,622	180,904
Reinsurance Recoverables	14,860	10,369
Deferred Tax Asset	40,116	36,080
Other Assets	23,268	21,881
<b>Total Admitted Assets</b>	<b>\$1,399,073</b>	<b>\$1,237,687</b>
<b>Liabilities, Surplus and Equity:</b>		
Loss Reserves	241,938	233,289
IBNR	150,312	120,640
Unpaid Claims Expenses	58,836	41,973
Unearned Premiums	372,478	341,133
Expenses and Taxes Payable	33,595	25,207
Claim Checks Outstanding	21,602	18,115
Other Liabilities	25,057	19,368
<b>Total Liabilities</b>	<b>903,819</b>	<b>799,725</b>
Minority Interest in Subsidiaries	136,947	121,104
Policyholder's Equity	328,307	286,858
Surplus Notes	30,000	30,000
<b>Total Surplus and Equity</b>	<b>495,254</b>	<b>437,962</b>
<b>Total Liabilities, Surplus and Equity</b>	<b>\$1,399,073</b>	<b>\$1,237,687</b>

# 2004 Financial Results

## The Main Street America Group Consolidated Statutory-Basis Statements of Operations and Changes in Surplus and Equity Unaudited (\$000)

	Year Ended December 31,	
	2004	2003
<b>Statement of Operations:</b>		
Net Premiums Written	\$ 757,425	\$ 712,609
Premiums Earned	726,080	660,016
Losses Incurred & ALAE	453,525	399,357
Claims Expenses	22,317	19,545
Commissions	147,721	137,923
Other Expenses	108,165	110,033
Total Underwriting Expenses	731,729	666,858
Net Underwriting Gain (Loss)	(5,649)	(6,843)
Net Investment Income	40,934	35,386
Realized Investment Gains	12,968	16,258
Other Income and Expenses	1,617	1,196
Income (Loss) Before Taxes	49,870	45,997
Income Taxes	12,119	5,900
<b>Net Income</b>	<b>\$ 37,751</b>	<b>\$ 40,097</b>
<b>Statement of Surplus and Equity:</b>		
Surplus and Equity, January 1,	\$ 437,962	\$ 348,964
Change in Surplus and Equity:		
Net Income	37,751	40,097
Net Unrealized Gain from Investments	9,082	13,414
Change in Non-Admitted Assets	4,125	8,163
Change in Net Deferred Tax Asset	4,036	3,181
Issuance of Surplus Note	0	15,000
Other Statutory Changes	2,298	9,142
Change in Surplus and Equity	57,292	88,997
<b>Surplus and Equity, December 31,</b>	<b>\$495,254</b>	<b>\$437,962</b>

**The Main Street America Group**  
**Consolidated Statutory-Basis Statements of Cash Flow**  
**Unaudited**  
**(\$000)**

	Year Ended December 31,	
	2004	2003
<b>Cash Flows From Underwriting Activities:</b>		
Net Premium	\$ 746,714	\$ 683,168
Losses	(403,939)	(362,686)
Claims Expenses	(21,210)	(19,518)
Commissions	(140,973)	(134,037)
Other Expenses	(104,339)	(87,525)
<b>Net Cash Provided By Underwriting Activities</b>	<b>76,253</b>	<b>79,402</b>
Investment Income , net of expenses	45,708	39,057
Income Taxes	(5,915)	(1,077)
Capitalized Spending	(8,302)	(8,571)
Miscellaneous Transactions	9,199	7,033
Pension Contribution	(6,000)	(13,100)
<b>Net Cash Provided by Operating Activities</b>	<b>110,943</b>	<b>102,744</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from Fixed Maturities Sold	447,771	490,751
Proceeds from Equity Securities Sold	75,530	55,353
Other Proceeds	(348)	2,649
Purchase of Fixed Maturities	(540,627)	(583,163)
Purchase of Equity Securities	(103,721)	(87,441)
<b>Net Cash Used in Investing Activities:</b>	<b>(121,395)</b>	<b>(121,851)</b>
<b>Net Cash Flows From Financing Activities:</b>		
Proceeds from Issuance of Surplus Note	0	15,000
<b>Net Change in Cash and Cash Equivalents</b>	<b>(10,452)</b>	<b>(\$4,107)</b>
Cash and Cash Equivalents, Beginning of Year	23,284	27,391
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 12,832</b>	<b>\$ 23,284</b>



## THE MAIN STREET AMERICA GROUP

National Grange Mutual Insurance Company • Old Dominion Insurance Company  
Main Street America Assurance Company • Information Systems & Services Corporation

[msagroup.com](http://msagroup.com)