

REPORT ON EXAMINATION
OF
NGM INSURANCE COMPANY
JACKSONVILLE, FLORIDA

AS OF
DECEMBER 31, 2008

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

November 9, 2009

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
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Louisiana Department of Insurance
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Honorable Alfred W. Gross
Chairman, NAIC Financial Condition (E) Committee
Commissioner, Virginia Bureau of Insurance
State Corporation Commission
PO Box 1157
Richmond, Virginia 23218

Dear Sirs:

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

**NGM INSURANCE COMPANY
4601 TOUCHTON ROAD EAST, STE. 3400
JACKSONVILLE, FLORIDA 32246**

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

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2008, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2007. This examination commenced with planning at the Office on July 20, 2009, to July 24, 2009. The fieldwork commenced on July 20, 2009 and concluded as of November 9, 2009.

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

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

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

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

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

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

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

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

Status of Adverse Findings from Prior Examination

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2007, along with resulting action taken by the Company.

Corporate Records

The Board of Directors minutes did not reflect a review of the December 31, 2006, examination report as specified in the NAIC Financial Examiners Handbook, Part 1, Section V, Part C, Section 3d, and as adopted by Section 624.316(1) (c), Florida Statutes and Rule 69O.138.001, Florida Administrative Code. **Resolution:** The Board of Directors minutes included the review of the December 31, 2007 examination report.

HISTORY

General

The Company was organized in March of 1923 under the laws of New Hampshire as the National Grange Mutual Liability Company and began business on July 16, 1923. All of the outstanding policy liabilities of a former companion carrier, National Grange Fire Insurance Company (formed in 1935), was reinsured into the Company on December 31, 1958. The corporate title was revised to National Grange Mutual Insurance Company on January 1, 1959.

The National Grange Mutual Insurance Company was renamed as NGM Insurance Company in August 2005.

Main Street America Group (MSA Group) was initiated in 1986 with the creation of the Main Street America Financial Corporation (MSAFC), which was wholly owned by the Company. In addition, Main Street America Assurance Company (MSAAC) known as Presidential Property and Casualty Insurance Company was incorporated as a stock New Hampshire domestic property and casualty insurer. On January 31, 1996, Mutual Assurance Company (MACO), a Pennsylvania domiciled property and casualty insurer, merged into National Grange Mutual Insurance Company. All policies written by MACO were assumed into National Grange Mutual Insurance Company.

In December, 1994, with an additional capital investment in 1998, the White Mountains Insurance Group Ltd. became the indirect owner of 50% of Main Street America Holdings, Inc. (MSAH), a downstream holding company with Main Street America Group, Inc. (MSA Group) and continued in existence until October 31, 2006.

During 2005, following the redomestication of National Grange Mutual Insurance Company and its affiliate MSAAC to Florida, National Grange Mutual Insurance Company converted to a mutual insurance holding company structure. Under the Plan of Reorganization approved by the Office, National Grange Mutual Insurance Company was converted to a stock insurance company and was renamed as NGM Insurance Company, Inc. The Company issued 100% of its common stock to Main Street America Group Mutual Holdings, Inc. (Mutual Holdings), a newly organized Florida mutual insurance holding company, which immediately contributed all of its shares of the Company to MSA Group, a newly organized Florida intermediate holding

company, in consideration for issuance of 100% of MSA Group's outstanding common stock to Mutual Holdings. The policyholders of the Company own all of the membership interests of Mutual Holdings.

On October 31, 2006, by mutual agreement, the White Mountains Insurance Group Ltd. investment in MSA Group was restructured. As a result, White Mountains Insurance Group Ltd. was the indirect owner of 4.9% of the common stock of MSA Group.

The Company was a party to Consent Order No. 77686-05-CO filed May 26, 2005, No. 83599-05 filed October 7, 2005, and No. 83360-05 filed October 7, 2005, with the Office regarding the redomestication to Florida with the application for the issuance of Certificates of Authority. The Company was in compliance with all issued Consent Orders.

The Company writes 28 lines of business in 45 states. The Company only wrote a minor amount of Federal Flood, Workers' Compensation, Fidelity and Surety insurance in Florida, in 2008.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2008:

Fire	Allied Lines
Farmowners Multi Peril	Homeowners Multi Peril
Glass	Commercial Multi Peril
Inland Marine	Workers' Compensation
Burglary and Theft	Private Passenger Auto Physical Damage
Other Liability	Mobile home Multi Peril
Private Passenger Auto Liability	Commercial Automobile Liability
Commercial Auto Physical Damage	Fidelity
Surety	Boiler and Machinery
Mobile Home Physical Damage	Ocean Marine
Mobile Home Multi Peril	Multi Peril Crop

Capital Stock

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

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	5,250,000
Total common capital stock	\$5,250,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, MSA Group, which owned 100% of the stock issued by the Company, who in turn was 95.1% owned by Mutual Holdings, a Florida corporation.

Profitability of Company

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

	2008	2007
Premiums Earned	812,569,207	832,367,578
Net Underwriting Gain/(Loss)	43,617,885	31,718,076
Net Income	9,294,132	165,615,457
Total Assets	1,787,822,996	1,817,113,917
Total Liabilities	1,180,331,590	1,197,546,102
Surplus As Regards Policyholders	607,491,406	619,567,815

Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2008 and 2007 in the amounts of \$11,318,004 and \$12,465,074, respectively.

Management

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

Directors

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

Melvin Lewis Temales
Miami, FL

Vice President, University of Miami

Thomas Mark Van Berkel
Ponte Vedra Beach, FL

President, Main Street America
Group

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

Senior Officers

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

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

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

¹ Chairman

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

Conflict of Interest Procedure

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

Corporate Records

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

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance

On October 1, 2008, Main Street America Financial Corporation (MSAFC), a subsidiary of NGM, purchased 100% of the common stock of Great Lakes Casualty Insurance Company.

Surplus Debentures

The Company had a total of \$30,000,000 in surplus notes. The first note issued on December 4, 2002 has a par value of \$15,000,000 with an interest rate equal to 3 month LIBOR plus 4.00% and matures on December 4, 2032. The second note issued on May 15, 2003 has a par value of \$15,000,000 with an interest rate equal to 3 month LIBOR plus 4.10% and matures on May 15, 2033. The Office must approve in advance the interest and principal payments on these surplus notes.

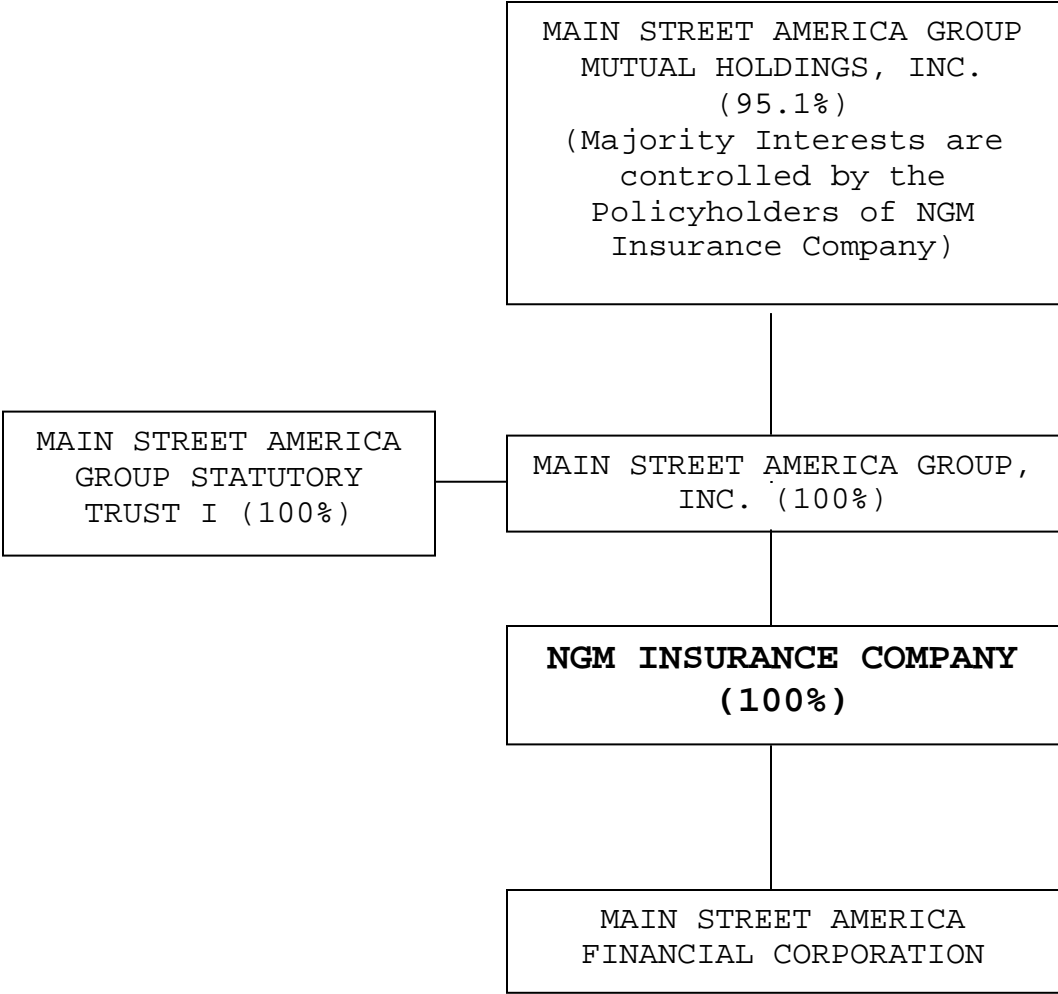
AFFILIATED COMPANIES

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

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

**NGM INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2008



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

Tax Allocation Agreement

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

Cost Sharing Agreement

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

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$20,000,000 with a deductible of \$150,000 per loss, an amount considered adequate for the Company according to the guidelines in the NAIC Financial Condition Examiners Handbook. The Company had other property and liability insurance coverage necessary for the operation of the business.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

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

STATUTORY DEPOSITS

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

STATE	DESCRIPTION	RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
FL	IL State Pension	4.950%	06/01/23	\$ 400,000	\$ 368,044
FL	Merril Lynch	6.875%	11/15/18	\$ 1,100,000	\$ 1,144,473
FL	US Treasury	6.250%	08/15/23	\$ 1,000,000	\$ 1,363,910
TOTAL FL DEPOSITS				\$ 2,500,000	\$ 2,876,427
AZ	US Treasury	7.500%	11/15/16	\$ 100,000	\$ 136,531
DE	IL State Pension	4.950%	06/01/23	125,000	115,014
GA	IL State Pension	4.950%	06/01/23	85,000	78,209
ID	US Treasury	7.500%	11/15/16	250,000	341,328
MA	IL State Pension	4.950%	06/01/23	60,000	55,207
MA	MD St. Econ Dev	5.600%	12/01/24	600,000	573,786
NC	US Treasury	7.500%	11/15/16	300,000	409,593
NH	Merrill Lynch	6.875%	11/15/18	1,200,000	1,248,516
NH	US Treasury	6.250%	08/15/23	750,000	1,022,933
NM	IL State Pension	4.950%	06/01/23	225,000	207,025
NV	IL State Pension	4.950%	06/01/23	225,000	207,025
NV	US Treasury	7.500%	11/15/16	100,000	136,531
OK	IL State Pension	4.950%	06/01/23	325,000	299,036
OR	US Treasury	7.500%	11/15/16	225,000	307,195
VA	IL State Pension	4.950%	06/01/23	275,000	253,030
WY	IL State Pension	4.950%	06/01/23	175,000	161,019
TOTAL OTHER DEPOSITS				\$ 5,020,000	\$ 5,551,978
TOTAL SPECIAL DEPOSITS				\$ 7,520,000	\$ 8,428,405

Territory

The Company was authorized to transact insurance business in following 44 states and the District of Columbia:

Alabama	New Hampshire
Arizona	New Jersey
Arkansas	New Mexico
Colorado	New York
Connecticut	North Carolina
Delaware	North Dakota
District of Columbia	Ohio
Florida	Oklahoma
Georgia	Oregon
Idaho	Pennsylvania
Illinois	Rhode Island
Indiana	South Carolina
Iowa	South Dakota
Kansas	Tennessee
Kentucky	Texas
Maine	Utah
Maryland	Vermont
Massachusetts	Virginia
Michigan	Washington
Missouri	West Virginia
Montana	Wisconsin
Nebraska	Wyoming
Nevada	

Treatment of Policyholders

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

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

REINSURANCE

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

Assumed

The Company assumed 100% of the combined insurance business of the pool.

Ceded

The Company did not cede any of the business back to the pool.

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

ACCOUNTS AND RECORDS

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

An independent CPA audited the Company's statutory basis financial statements annually for the years 2008, 2007 and 2006, 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 securities in compliance with Rule 690-143.042, FAC.

Managing General Agent Agreement

The Company did not enter into any Managing General Agent Agreement.

Independent Auditor Agreement

The Company had an agreement with Ernst & Young, LLP to perform an audit of its statutory financial statements.

Information Technology Report

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

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

NGM INSURANCE COMPANY
Assets

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$1,124,844,950		\$1,124,844,950
Stocks:			
Preferred	14,736,410		14,736,410
Common	230,623,426		230,623,426
Mortgage loans on real estate			
First liens	1,613,531		1,613,531
Real Estate:			
Properties			
occupied by Company	5,894,043		5,894,043
Cash:	53,461,904		53,461,904
Other investmented assets	8,454,056		8,454,056
Receivable for securities	20,655,858		20,655,858
Agents' Balances:			
Uncollected premium	59,183,704		59,183,704
Deferred premium	164,457,823		164,457,823
Reinsurance recoverable	15,158,778		15,158,778
EDP Equipment	2,191,939		2,191,939
Interest and dividend			
income due & accrued	11,718,152		11,718,152
Current federal and foreign income tax			
recoverable	17,972,912		17,972,912
Net deferred tax assets	47,826,000		47,826,000
Equities and deposits			
in pools and associations	762,784		762,784
Aggregate write-in for			
other than invested assets	8,266,726		8,266,726
Totals	<u>\$1,787,822,996</u>	<u>\$0</u>	<u>\$1,787,822,996</u>

NGM INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	\$558,469,904		\$558,469,904
Loss adjustment expenses	102,301,674		102,301,674
Commission payable	17,874,213		17,874,213
Other expenses	17,895,366		17,895,366
Taxes, licenses and fees	10,552,079		10,552,079
Unearned premium	415,214,128		415,214,128
Ceded reinsurance balances payable	2,024,394		2,024,394
Funds held by company under reinsurance treaty	418,456		418,456
Provision for reinsurance	1,417,988		1,417,988
Drafts outstanding	19,972,445		19,972,445
Payable to parent, subsidiaries and affiliates	8,232,176		8,232,176
Payable for securities	10,551,490		10,551,490
Aggregate write-ins for liabilities	15,407,277		15,407,277
<hr/>			
Total Liabilities	\$1,180,331,590		\$1,180,331,590
Common capital stock	\$5,250,000		\$500,000
Surplus notes	30,000,000		30,000,000
Gross paid in and contributed surplus	69,518,826		69,518,826
Unassigned funds (surplus)	502,722,580		502,722,580
<hr/>			
Surplus as regards policyholders	\$607,491,406		\$607,491,406
<hr/>			
Total liabilities, surplus and other funds	\$1,787,822,996		\$1,787,822,996

NGM INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income

Premiums earned		\$812,569,207
	Deductions:	
Losses incurred		427,280,537
Loss expenses incurred		82,745,969
Other underwriting expenses incurred		258,924,816
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$768,951,322
Net underwriting gain or (loss)		\$43,617,885

Investment Income

Net investment income earned		\$50,847,232
Net realized capital gains or (losses)		(73,417,363)
Net investment gain or (loss)		(\$22,570,131)

Other Income

Net gain or (loss) from agents' or premium balances charged off		(\$3,581,879)
Finance and service charges not included in premiums		7,512,486
Aggregate write-ins for miscellaneous income		(967,933)
Total other income		\$2,962,674

Net income before dividends to policyholders and before federal & foreign income taxes		\$24,010,428
Dividends to policyholders		
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$24,010,428
Federal & foreign income taxes		14,716,296
Net Income		\$9,294,132

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$619,567,815
Net Income		\$9,294,132
Net unrealized capital gains or losses		(36,616,340)
Change in net unrealized foreign exchange capital gains		(266,812)
Change in net deferred income tax		9,512,914
Change in non-admitted assets		(16,703,891)
Change in provision for reinsurance		(497,234)
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		34,518,826
Aggregate write-ins for gains and losses in surplus		0
Dividends to stockholders		(11,318,004)
Change in surplus as regards policyholders for the year		(\$12,076,409)
Surplus as regards policyholders, December 31 current year		\$607,491,406

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$660,771,578

Mr. Edward P. Lotkowski, FCAS, Vice President and Chief Actuary of the Company, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2008, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The actuary Brett Miller, FCAS, MAAA, Merlinos & Associates performed an actuarial review of the provision for all unpaid loss and loss expense obligations of the Company and was in concurrence with this opinion.

Capital and Surplus

The amount reported by the Company of \$607,491,406, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**NGM INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2008

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

Surplus as Regards Policyholders December 31, 2008, per Annual Statement	\$607,491,406
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustment			
LIABILITIES:			
No adjustment			
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2008, Per Examination			<u>\$607,491,406</u>

SUMMARY OF FINDINGS

Compliance with previous directives

The Company took the necessary actions to comply with the recommendations made in the 2007 examination report issued by the Office.

Current examination comments and corrective action

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

CONCLUSION

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

Per examination findings, the Company's Surplus as regards policyholders was \$607,491,406, in compliance with Section 624.408, Florida Statutes.

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

Respectfully submitted,

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