REPORT ON EXAMINATION

OF

NGM INSURANCE COMPANY

JACKSONVILLE, FLORIDA

AS OF

DECEMBER 31, 2010

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

October 19, 2011

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

Sharon P. Clark
Secretary, Southeastern Zone, NAIC
Commissioner,
Kentucky Department of Insurance
215 West Main Street
Frankfort, Kentucky 40601

Honorable Joseph Torti III
Chairman, NAIC Financial Condition (E) Committee
Superintendent, State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920

Dear Sirs and Madam:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes; Rule 69O-138.005, Florida Administrative Code; and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination of December 31, 2010, of the financial condition and corporate affairs of:

NGM INSURANCE COMPANY
4601 TOUCHTON ROAD EAST, SUITE 3400
JACKSONVILLE, FLORIDA 32246

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

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2009, through December 31, 2010. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2008. This examination commenced with planning at the Office on June 13, 2011, to June 17, 2011. The fieldwork commenced on June 20, 2011, and concluded as of October 19, 2011.

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

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

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

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

SUMMARY OF SIGNIFICANT FINDINGS

Current Exam Findings

There were no material findings or exceptions noted during the examination as of December 31, 2010.

Prior Exam Findings

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

SUBSEQUENT EVENTS

On September 15, 2011, an agreement was finalized with affiliate Spring Valley Mutual Insurance Company of Minnesota (Spring Valley). Effective January 1, 2012, Spring Valley will begin participation in the Intercompany Quota Share Reinsurance arrangement, under which the Company is a participate. In addition, Spring Valley issued a $4 million surplus note to the Company.

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), were reinsured into the Company on December 31, 1958. The corporate title was revised to National Grange Mutual Insurance Company on January 1, 1959. Effective June 6, 2005, National Grange Mutual Insurance Company re-domesticated to the State of Florida. Subsequently, in August of 2005, under the Plan of Reorganization approved by the Office, National Grange Mutual Insurance Company was converted to a stock insurance company and renamed NGM Insurance Company.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2010:

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

No changes were made to the Articles of Incorporation during the period covered by this examination. The By-Laws were amended during this period to change the date of the annual members', shareholder's and directors' meetings.

Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2010 and 2009 in the amounts of $10,379,279 and $10,606,443, respectively.

In June 2011, the Board of Directors authorized the Company to pay a dividend not to exceed $38,000,000. The dividend was paid in August 2011. The dividend was approved by the Office.

Capital Stock and Capital Contributions

As of December 31, 2010, 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, Main Street America Group, Inc. (MSA Group), which owned 100% of the stock issued by the Company, who in turn was approximately 95% owned by Main Street American Group Mutual Holdings, Inc. (Mutual Holdings), a Florida corporation.

Surplus Debentures

The Company had a total of $30,000,000 in surplus notes as of December 31, 2010. 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%, maturing 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%, maturing on May 15, 2033. The Office must approve, in advance, the interest and principal payments on the surplus notes.

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

The Company had no acquisitions, mergers, disposals, and purchase or sales through reinsurance during the period of this examination.

CORPORATE RECORDS

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

Conflict of Interest

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2010, were:

Directors

Name and Location	**Principal Occupation**
Terry Lawrence Baxter Lyme, New Hampshire	Retired Insurance Executive
Cotton Mather Cleveland New London, New Hampshire	Sr. Associate/Mgt. Consulting, Mather Associates
John Adrian Delaney Neptune Beach, Florida	University President, University of North Florida
Albert Henry Elfner III Boston, Massachusetts	Retired Investment Management
David (NMN) Freeman Canton, Connecticut	Retired President and CEO, Lydall, Inc.
William Dawson Gunter, Jr. Tallahassee, Florida	Insurance Agency Executive and Consultant
Karl Thomas Kemp Hanover, New Hampshire	Retired Insurance Executive
Philip Donald Koerner Tipp City, Ohio	Retired Insurance Executive
James Everitt Morley, Jr. Annapolis, Maryland	Retired President and CEO, Nat'l. Assoc. for College and University Business Officers
Thomas Mark Van Berkel Ponta Vedra Beach, Florida	Chairman, CEO and President, all Main Street America Group affiliated companies
Idalene Fay Kesner Bloomington, Indiana	Associate Dean of Faculty & Research and Professor of Strategic Management, Indiana University

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

Senior Officers

Name	Title
Thomas Mark Van Berkel	CEO, Chairman and President
Edward John Kuhl	Treasurer and Controller
Bruce Robert Fox	Secretary

The Company's Board appointed several internal committees. Following were the principal internal board committees and their members as of December 31, 2010:

Executive Committee	Audit Committee	Finance Committee
Thomas M. Van Berkel[1]	David Freemen [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 Freeman	Philip D. Koerner	James E. Morley, Jr.
William D. Gunter, Jr.		

[1] Chairman

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 15, 2011, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

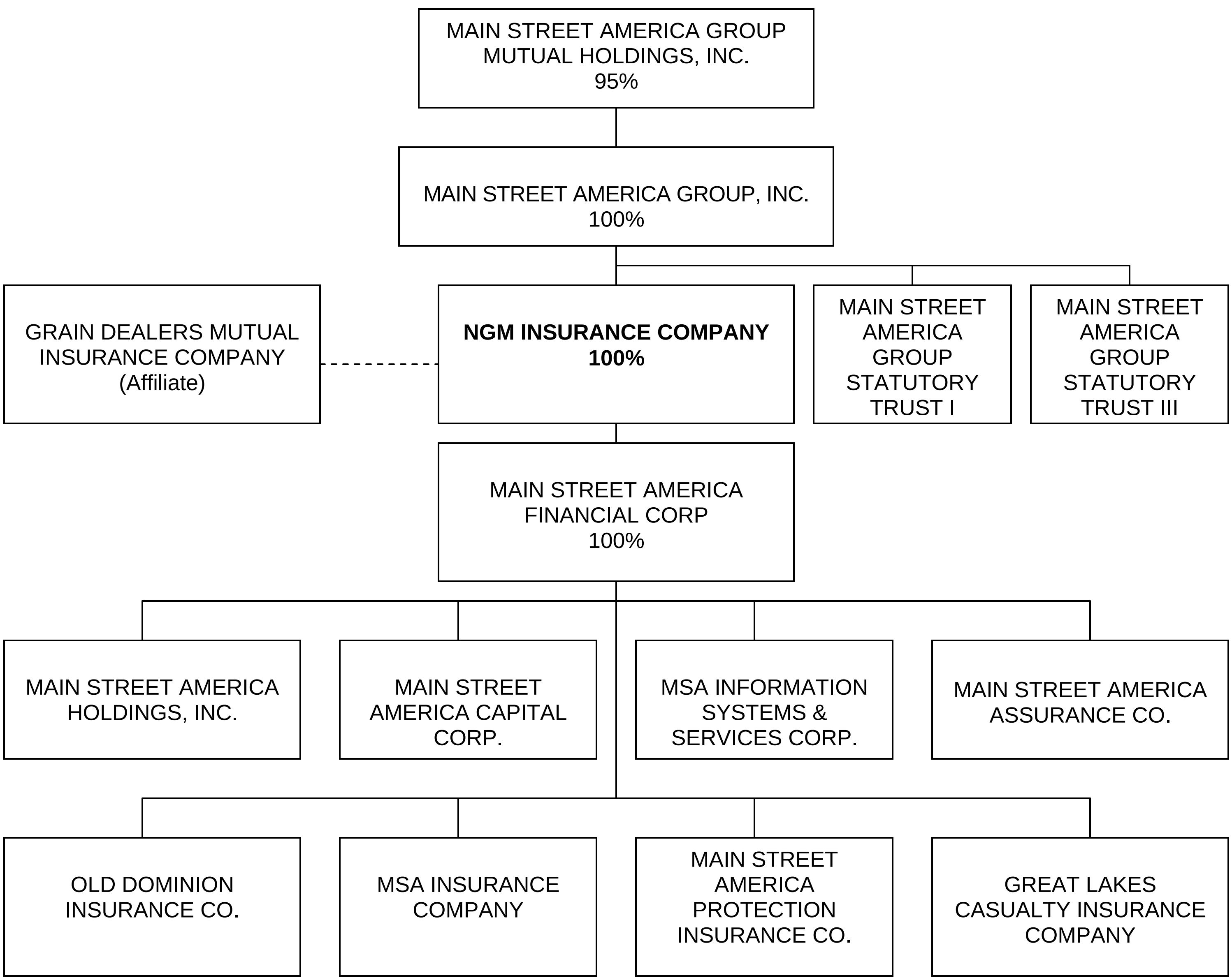
The Company owned 100% of its insurance subsidiaries, Main Street America Assurance Company (MSAAC); Old Dominion Insurance Company (ODIC); and Main Street America Protection Insurance Company (MSAPIC), all domiciled in the State of Florida; MSA Insurance Company, domiciled in the State of South Carolina; and Great Lakes Casualty Insurance Company (Great Lakes), domiciled in the State of Michigan.

As of December 31, 2010, the Company also controlled an affiliate, Grain Dealers Mutual Insurance Company (Grain Dealers), domiciled in the State of Indiana, through a Master Affiliation Agreement and a Management and Services Agreement, under which the Company provided executive management and oversight of their business operations.

An organizational chart as of December 31, 2010, reflecting the holding company system, is shown below. Schedule Y of the Company's 2010 annual statement provided a list of all related companies of the holding company group.

NGM INSURANCE COMPANY
ORGANIZATIONAL CHART

DECEMBER 31, 2010



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

Intercompany Quota Share Reinsurance Agreements

The Company was the lead company in the intercompany pooling arrangement (the Pool) for the MSA Group of insurers and affiliated companies, who are primarily involved in the sale of personal and commercial lines of business. Pursuant to the agreement, the Company assumed 100% of the Pool's net underwriting results. As of December 31, 2010, the Pool included the following subsidiaries and affiliates: ODIC; MSA Insurance Company; MSAPIC; MSAAC; and Grain Dealers. The risks ceded under the Pool were located primarily in the States of New York, Massachusetts, Florida, Connecticut, Pennsylvania and North Carolina. Facultative reinsurance cessions to non-affiliated reinsurers occur prior to cessions to the Pool.

Intercompany Tax Allocation Agreement

The Company, along with its parent, MSA Group, and the following affiliates; MSAH, MSAAC, Mutual Holdings, Main Street America Capital Corporation, and Great Lakes filed a consolidated federal income tax return. On December 31, 2010, the method of allocation between the companies was subject to a written agreement dated March 30, 1998, approved by the Board. 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 amended again in 2008 to include Great Lakes.

Cost Sharing Agreement

The Company entered into an intercompany expense allocation agreement with its subsidiaries to provide administrative and managerial services on January 1, 1996. Pursuant to the terms of the agreement, 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 named as a party to the agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage with limits of $5,000,000 per occurrence/$10,000,000 aggregate and a deductible of $150,000, per loss, which reached the suggested minimum as recommended by the NAIC. The Company also maintained Fiduciary Liability Coverage with limits up to $10,000,000 with a $10,000 deductible. The Company maintained other property and liability insurance coverage as well as worker's compensation necessary for the operation of the business.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had the following plans in effect as of December 31, 2010:

Defined Benefit Plan – The Company had a noncontributory defined benefit pension plan, covering substantially all employees. Contributions to the plan were at least equal to ERISA minimum funding requirements.

Defined Contribution Plan – The group had a Profit Sharing Retirement Plan in which substantially all employees were eligible to participate and a deferred compensation for senior management. The Group contributed $1,892,000 and $1,920,000 for the years 2010 and 2009, respectively, to the Profit Sharing Retirement Plan.

TERRITORY AND PLAN OF OPERATIONS

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

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

Treatment of Policyholders

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

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

COMPANY GROWTH

The Company has continued to grow since the last examination date through the utilization of a pooling arrangement with subsidiaries and affiliates. Premiums written for 2009 and 2010 increased by 1% and 9%, respectively. In contrast, the underwriting results, although a gain for 2009 and 2010, was substantially less in 2010.

Profitability of Company

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

	2010	2009	2008
Premiums Earned	873,960,773	803,702,828	812,569,207
Net Underwriting Gain/(Loss)	1,537,947	16,411,091	43,617,885
Net Income	67,934,270	80,418,277	9,294,132
Total Assets	2,010,409,468	1,893,978,726	1,787,822,996
Total Liabilities	1,248,409,089	1,202,004,420	1,180,331,590
Surplus As Regards Policyholders	762,000,379	691,974,306	607,491,406

LOSS EXPERIENCE

The Company has not experienced significant changes to their loss development for the period covered by this examination. Although loss and loss adjustment expense reserves increased during 2009 and 2010, the Company experienced redundancy in reserves for prior periods in each of these years.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Assumed

As previously mentioned, the Company was the lead company in an intercompany pooling arrangement (the Pool) with its subsidiaries and an affiliate. Pursuant to the terms of the pooling arrangement, all of the direct and assumed business of the participants in the Pool was assumed 100% by the Company; with all of the participants ceding 100% of their net underwriting results to the Pool.

Ceded

The MSA Group protects against risks of loss through several ceded reinsurance programs, including two (2) catastrophe programs; a catastrophe per occurrence program and a catastrophe aggregate program.

Under the catastrophe per occurrence program, the MSA Group retained the first $20 million of exposure under the program and 5% of the layers above the $20 million retention. The catastrophe aggregate program was intended to address the risk of frequency of events, which may occur below the $20 million retention of the per occurrence program.

The MSA Group also maintained a per risk program, intended to protect against large single losses, such as fires, multiple injury auto accidents and major serious worker injuries. The per risk programs were a property per risk program which limited loss to $1 million per individual location; a casualty per risk program which limited loss to $1.35 million; and fidelity and surety reinsurance.

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, Florida and Keene, New Hampshire. The current examination was conducted from both locations.

An independent CPA firm audited the Company's statutory basis financial statements annually for the years 2009 and 2010, 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's accounting records were maintained on a computerized system and several subsystems which were able to generate reports and statements sufficient for management of the Company.

The Company and non-affiliates had the following agreements:

Custodial Agreement

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

Managing General Agent Agreement

The Company utilized two (2) non-affiliated managing general agents (MGAs) to produce insurance business. The MGAs were responsible for quoting policies to customers, binding policies, policy administration, claims administration and billing and collecting premiums on behalf of the insurer. The agreements specifically state that the MGAs have the authority to bind program business in accordance with the Company's guidelines and procedures.

Investment Management Agreements

The Company was a party to multiple investment advisory agreements for this period of operations. NGM, as the ultimate controlling insurer of the MSA Group, had a Chief Financial Officer and support staff to oversee the management of the MSA Group's investments. The Chief Investment Officer, operating under the investment guidelines set by the Finance Committee of the Board, invested Company assets through third party, unaffiliated investment managers.

The third party investment managers and the investment management agreements included Prospector Partners, LLC, Asset Allocation and Management Co., LLC and Municrest. MSA Group also invests in certain mutual funds with Vanguard.

Subsequent to December 31, 2010, the Company amended its Investment Management Agreements to reflect the name change of the ultimate controlling insurer to NGM Insurance Company dating retroactively to August 2005.

Independent Auditor Agreement

The Company contracted with an external independent CPA firm, to perform the annual audit of its financial statements as required by Rule 69O-137.002(7)(c), Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Samuel BowerCraft, MSIS, CISA of McKonly & Asbury, LLP 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.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

STATE	Description	Par Value	Market Value
FL	IL St. Pens, 4.95%, 06/01/23	$ 400,000	$ 344,256
FL	Merrill Lynch, 6.875%, 11/15/16	1,100,000	1,184,678
FL	USTreas, 6.25%, 08/15/23	1,000,000	1,256,880
TOTAL FLORIDA DEPOSITS		$ 2,500,000	$ 2,785,814
AZ	USTreas, 7.5%, 11/15/16	$ 100,000	$ 128,523
AZ	USTreas, 6.25%, 08/15/23	100,000	125,688
DE	IL St. Pens, 4.95%, 06/01/23	125,000	107,580
GA	IL St. Pens, 4.95%, 06/01/23	85,000	73,154
ID	USTreas, 7.50%, 11/15/16	250,000	321,308
MA	IL St. Pens, 4.95%, 06/01/23	60,000	51,638
MA	MD St. Econ, 5.60%, 12/1/24	600,000	587,334
NV	IL St. Pens, 4.95%, 06/01/23	225,000	193,644
NV	USTreas, 7.5%, 11/15/16	100,000	128,523
NH	Merrill Lynch, 6.875%, 11/15/16	1,200,000	1,292,376
NH	USTreas, 6.25%, 8/15/23	750,000	942,660
NM	IL St. Pens, 4.95%, 06/01/23	225,000	193,644
NC	USTreas, 7.5%, 11/15/16	300,000	385,569
OK	IL St. Pens, 4.95%, 06/01/23	400,000	344,256
OR	USTreas, 7.5%, 11/15/16	225,000	289,177
VA	IL St. Pens, 4.95%, 06/01/23	325,000	279,708
WY	IL St. Pens, 4.95%, 06/01/23	175,000	150,612
TOTAL OTHER DEPOSITS		$ 5,245,000	$ 5,595,394
TOTAL SPECIAL DEPOSITS		$ 7,745,000	$ 8,381,108

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2010, 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, 2010

	Per Company	Examination Adjustments	Per Examination
Bonds	$1,329,163,722	$0	$1,329,163,722
Stocks:			
Preferred	260,500		260,500
Common	273,164,161		273,164,161
Mortgage Loans:			
First liens	1,437,740		1,437,740
Real Estate:			
Properties occupied by Company	5,789,098		5,789,098
Cash and Short-Term Investments	24,416,238		24,416,238
Other investments	36,264,054		36,264,054
Receivable for securities	74,913		74,913
Investment income due and accrued	13,882,508		13,882,508
Premiums and considerations:			
Uncollected premium	42,534,853		42,534,853
Deferred premium	174,334,963		174,334,963
Reinsurance:			
Amounts recoverable from reinsurers	6,858,064		6,858,064
Funds held by reinsured companies	20,414,425		20,414,425
Other amounts receivable under reinsurance contracts	2,131,089		2,131,089
Current FIT recoverable	6,923,163		6,923,163
Net deferred tax asset	54,991,365		54,991,365
Guaranty funds receivable	542,373		542,373
EDP equipment and software	739,939		739,939
Aggregate write-in for other than invested assets	16,486,300		16,486,300
Totals	$2,010,409,468	$0	$2,010,409,468

NGM INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2010

	Per Company	Examination Adjustments	Per Examination
Losses	$578,148,100	$0	$578,148,100
Reinsurance payable	4,761,832		4,761,832
Loss adjustment expenses	104,033,763		104,033,763
Commissions payable	19,934,681		19,934,681
Other expenses	27,002,811		27,002,811
Taxes, licenses and fees	8,240,603		8,240,603
Unearned premium	452,249,399		452,249,399
Advance premium	5,654,764		5,654,764
Ceded reinsurance premiums payable	2,131,089		2,131,089
Funds held under reinsurance treaties	1,403,907		1,403,907
Provision for reinsurance	133,934		133,934
Drafts outstanding	18,005,703		18,005,703
Payable to parent, subsidiaries and affiliates	6,745,950		6,745,950
Payable for securities	45,159		45,159
Aggregate write-ins for liabilities	19,917,394		19,917,394
Total Liabilities	$1,248,409,089	$0	$1,248,409,089
Aggregate write-ins for special surplus funds	$9,862,990	$0	$9,862,990
Common capital stock	5,250,000		5,250,000
Surplus notes	30,000,000		30,000,000
Gross paid in and contributed surplus	69,518,826		69,518,826
Unassigned funds (surplus)	647,368,563		647,368,563
Surplus as regards policyholders	$762,000,379	$0	$762,000,379
Total liabilities, surplus and other funds	$2,010,409,468	$0	$2,010,409,468

NGM INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2010

Underwriting Income	
Premiums earned	$873,960,773
Deductions:	
Losses incurred	$481,909,067
Loss expenses incurred	93,970,118
Other underwriting expenses incurred	296,543,641
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$872,422,826
Net underwriting gain or (loss)	$1,537,947
Investment Income	
Net investment income earned	$57,042,698
Net realized capital gains or (losses)	10,498,360
Net investment gain or (loss)	$67,541,058
Other Income	
Net gain or (loss) from agents' or premium balances charged off	($3,247,751)
Finance and service charges not included in premiums	9,979,043
Aggregate write-ins for miscellaneous income	(649,590)
Total other income	$6,081,702
Net income before dividends to policyholders and before federal & foreign income taxes	$75,160,707
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$75,160,707
Federal & foreign income taxes	7,226,437
Net Income	$67,934,270
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$691,974,306
Net Income	$67,934,270
Change in net unrealized capital gains or (losses)	19,511,041
Change in net deferred income tax	9,455,156
Change in non-admitted assets	(16,918,357)
Change in provision for reinsurance	423,242
Dividends to stockholders	(10,379,279)
Change in surplus as regards policyholders for the year	$70,026,073
Surplus as regards policyholders, December 31 current year	$762,000,379

A comparative analysis of changes in surplus is shown below.

NGM INSURANCE COMPANY
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2010

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, 2010, per Annual Statement				$762,000,379
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:				
No Adjustment				
LIABILITIES:				
No Adjustment				
Net Change in Surplus:				0
Surplus as Regards Policyholders December 31, 2010, Per Examination				$762,000,379

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses $682,181,863

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, 2010, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Richard Lo, FACS, MAAA, FCA of Alliance Actuarial Services, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and was in concurrence with this opinion.

Capital and Surplus

The amount reported by the Company of $762,000,379 exceeded the minimum of $100,000,000 as required by Section 624.408, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **NGM Insurance Company** as of December 31, 2010, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was $762,000,379 which exceeded the minimum of $100,000,000 as required by Section 624.408, Florida Statutes.

In addition to the undersigned, James E. Salter, CFE, CPA, Examiner-In-Charge and Roshanak Fekrat, CPA, CFE, CIA, MCM; Cynthia Sikorski, CFE, MCM; Charles Black, CFE; Randall Dillow; and Aram Morvari, MCM, Participating Examiners, of Global Insurance Enterprises, Inc. participated in the examination. In addition, Richard Lo, FCAS MAAA, FCS consulting actuary of Alliance Actuarial Services Inc.; and Samuel BowerCraft, CISA, IT Manager, and Diane Rudy, CPA, CIA of McKonly & Asbury LLP participated in the examination. Kethessa Carpenter, CPA, Financial Examiner/Analyst Supervisor, and Samita Lamsal, Financial Examiner/Analyst II, of the Office also participated in the examination.

Respectfully submitted,

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