

**NGM INSURANCE COMPANY, INSURANCE SUBSIDIARIES AND
AFFILIATE
COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2010 AND 2009
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS**

Ernst & Young LLP

 **ERNST & YOUNG**

NGM Insurance Company, Insurance Subsidiaries and Affiliate

Combined Statutory-Basis Financial Statements

Years Ended December 31, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of NGM Insurance Company:

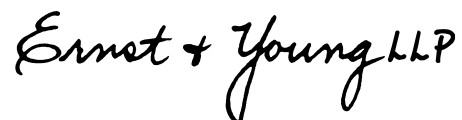
We have audited the accompanying combined statutory-basis balance sheets of NGM Insurance Company, Insurance Subsidiaries and Affiliate (the Group) as of December 31, 2010 and 2009, and the related combined statutory-basis statements of operations and changes in shareholder's surplus and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Group's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Group presents its financial statements in conformity with accounting practices prescribed or permitted by the Insurance Departments of the States of South Carolina, Michigan, Indiana and Florida, which practices differ from U.S. generally accepted accounting principles. The variances between such practices and U.S. generally accepted accounting principles and the effects on the accompanying financial statements are described in Note 1.

In our opinion, because of the effects of the matter described in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of NGM Insurance Company, Insurance Subsidiaries and Affiliate at December 31, 2010 and 2009, or the results of their operations or their cash flows for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NGM Insurance Company, Insurance Subsidiaries and Affiliate at December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the Insurance Departments of the States of South Carolina, Michigan, Indiana and Florida.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

March 9, 2011

NGM Insurance Company, Insurance Subsidiaries and Affiliate

Combined Statutory-Basis Balance Sheets

(Dollars in Thousands)

As of December 31,	2010	2009
Assets		
Bonds	\$1,445,650	\$1,396,983
Common Stocks at Fair Values	95,184	98,351
Preferred Stocks at Fair Values	699	5,307
Preferred Stocks at Cost	458	-
Investment in Uncombined Subsidiaries	74,622	38,479
Real Estate	7,773	5,804
First Mortgage Loans	1,438	1,528
Investment in Limited Partnerships	30,286	6,422
Cash (Overdraft) and Short-Term Investments	11,456	(7,240)
Total Cash and Invested Assets	1,667,566	1,545,634
Premiums Receivable	219,147	225,786
Reinsurance Recoverable on Paid Losses	7,846	2,989
Deferred Tax Asset	54,287	46,969
Accrued Investment Income	15,262	14,106
Federal Taxes Receivable	2,609	1,051
Other Assets	40,035	33,632
Total Assets	\$2,006,752	\$1,870,167
Liabilities and Shareholder's Surplus		
Unpaid Losses	\$ 578,148	\$ 562,863
Unpaid Loss Adjustment Expenses	104,034	105,128
Unearned Premiums	452,249	422,906
Deposits on Perpetual Policies	5,610	5,654
Other Underwriting Expenses Payable	40,894	33,837
Taxes, Licenses, and Fees Payable	8,241	10,074
Securities Payable and Other Liabilities	47,914	37,731
Total Liabilities	1,237,090	1,178,193
Shareholder's Surplus		
Surplus Notes	30,000	30,000
Common Stock, \$1 par value; 10,000,000 shares authorized; 5,250,000 shares issued and outstanding in 2010 and 2009	5,250	5,250
Additional Paid-In Capital	69,519	69,519
Surplus	664,893	587,205
Total Shareholder's Surplus	769,662	691,974
Total Liabilities and Shareholder's Surplus	\$2,006,752	\$1,870,167

See accompanying notes.

Combined Statutory-Basis Statements of Operations and
Changes in Shareholder's Surplus

(Dollars in Thousands)

Year Ended December 31,	2010	2009
Net Premiums Written	\$ 889,752	\$ 815,500
Change in Unearned Premiums	(15,791)	(11,797)
Net Premiums Earned	873,961	803,703
Losses and Loss Adjustment Expenses Incurred	575,879	516,081
Underwriting Expenses Incurred	296,544	271,211
Total Losses and Expenses	872,423	787,292
Net Underwriting Gain	1,538	16,411
Investment Income, Net of Expenses of \$6,504 in 2010 and \$6,172 in 2009	66,811	65,093
Net Realized Gains from Investments	25,399	24,821
Net Investment Income	92,210	89,914
Other Income (Loss)	4,109	(2,790)
Income Before Federal Income Taxes	97,857	103,535
Federal Income Tax Expense	18,785	12,482
Net Income	\$ 79,072	\$ 91,053

Combined Statutory-Basis Statements of Changes in Shareholder's Surplus

Shareholder's Surplus, January 1,	\$ 691,974	\$ 607,491
GDM Surplus, January 1,	5,961	-
Net Income	79,072	91,053
Change in Net Deferred Tax Asset	7,811	(15,104)
Change in Net Unrealized Gains and (Losses) on Investments Carried at Fair Value	4,149	14,001
Dividends to Shareholders	(10,379)	(10,606)
Other Changes in Surplus	6,642	486
Change in Nonadmitted Assets	(15,568)	4,653
Shareholder's Surplus, December 31,	\$ 769,662	\$ 691,974

Combined Statutory-Basis Statements of Cash Flows

(Dollars in Thousands)

Year Ended December 31,	2010	2009
Cash Flows from Operating Activities		
Net Premiums Received	\$ 897,982	\$ 812,555
Losses and Loss Adjustment Expenses Paid, net of Salvage and Subrogation	(578,842)	(506,371)
Underwriting Expenses Paid	(301,410)	(247,321)
Miscellaneous Loss and Intercompany Activity	5,560	(31,708)
Net Cash Provided by Underwriting Activities	23,290	27,155
Investment Income Received	78,037	75,392
Investment Expenses Paid	(6,504)	(6,172)
Income Taxes Paid	(20,342)	(4,527)
Net Cash Provided by Operating Activities	74,481	91,848
Cash Flows from Investing Activities		
Proceeds from Bonds Sold and Matured	736,804	832,069
Proceeds from Preferred Stock Sold	5,000	6,284
Proceeds from Common Stock Sold	92,084	12,277
Purchases of Bonds	(755,640)	(919,267)
Purchases of Preferred Stock	(261)	(4,850)
Purchases of Common Stock	(75,614)	(54,759)
Net Change in Securities Payable and Other	(59,934)	(1,420)
Net Cash Used in Investing Activities	(57,561)	(129,666)
Cash Flows from Financing Activities		
Dividends to Shareholders	(10,379)	(10,606)
Net Cash Used in Financing Activities	(10,379)	(10,606)
Net Increase (Decrease) in Cash and Short-Term Investments	6,541	(48,424)
Cash (Overdraft) and Short-Term Investments at Beginning of Year	(7,240)	41,184
Transfer of GDM Cash and Short-Term Investments at Beginning of Year	12,155	-
Cash (Overdraft) and Short-Term Investments at End of Year	\$ 11,456	\$ (7,240)

See accompanying notes.

NGM Insurance Company, Insurance Subsidiaries and Affiliate

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

December 31, 2010

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying combined statutory–basis financial statements include the combined accounts of NGM Insurance Company (NGM), Main Street America Assurance Company (MSAAC), Old Dominion Insurance Company (ODIC), Main Street America Protection Insurance Company (MSAPIC), all domiciled under Florida State Laws and Regulations, MSA Insurance Company (MSAIC), domiciled under South Carolina Laws and Regulations, Great Lakes Casualty Insurance Company (GLC), domiciled under Michigan Laws and Regulations and Grain Dealers Mutual Insurance Company (GDM), domiciled under Indiana Laws and Regulations (collectively referred to as the Group). NGM is a subsidiary of Main Street America Group, Incorporated (MSAG) and MSAG is 94.2% owned by Main Street America Group Mutual Holdings, Incorporated. NGM owns 100% of its subsidiaries (MSAAC, ODIC, MSAPIC, MSAIC and GLC) and controls GDM, an affiliate, through the agreements described below.

Effective, November 30, 2009, NGM entered into a Master Affiliation Agreement and a Management and Services Agreement with GDM. Under these agreements NGM provides GDM with executive management and oversight of GDM's business operations. Effective, January 1, 2010 NGM and GDM entered into a 100% quota share reinsurance agreement. These agreements have been approved by the Indiana Department of Insurance. The accompanying combined statutory-basis financial statements include the results of GDM from January 1, 2010 forward and are reflected as additions to beginning surplus and cash on the Statement of Changes in Shareholder's Surplus and Statements of Cash Flows for 2010, respectively.

The Group is primarily involved in the sale of personal and commercial lines of property/casualty insurance. Substantially all net underwriting results are ceded into a pooling arrangement (the Pool) between NGM (NAIC # 14788), ODIC (NAIC # 40231), MSAIC (NAIC # 11066), MSAPIC (NAIC # 13026), MSAAC (NAIC # 29939), and GLC (NAIC # 10787). NGM assumes 100% of the underwriting results of the Pool and the other pool participants cede 100% of their net underwriting results to the Pool. The Pool underwrites risks located primarily in New York, Massachusetts, Florida, Connecticut, Pennsylvania and North Carolina.

The principal lines of business insured by the Group and the percentage of total written premiums for these lines are as follows:

For The Years Ended December 31,	2010	2009
Commercial Multiple Peril (CMP)	32%	31%
Private Passenger Auto	26%	26%
Homeowners	16%	16%
Commercial Automobile	11%	12%
All Other	15%	15%

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future, as more information becomes known, which could impact the amounts reported and disclosed herein.

Basis of Presentation

The accompanying financial statements of the Group have been prepared in conformity with accounting practices prescribed or permitted by the Florida, Michigan, South Carolina and Indiana Insurance Departments. Such practices vary from U.S. generally accepted accounting principles ("GAAP"). The more significant variances from GAAP are as follows:

Investments: Investments in bonds and mandatory redeemable preferred stocks are reported at amortized cost or market value based on their National Association of Insurance Commissioners ("NAIC") rating; for GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income, net of the related deferred taxes, for those designated as available-for-sale. Fair value for statutory purposes is based on the price published by the Security Valuation Office of the NAIC ("SVO") if available, whereas fair value for GAAP is based on quoted market prices.

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

Investments in real estate are reported net of related obligations rather than on a gross basis as for GAAP. Real estate owned and occupied by the Group is included in investments rather than reported as an operating asset as under GAAP, and investment income and operating expenses for statutory reporting include rent for the Group's occupancy of those properties.

Embedded derivatives are not accounted for separately from the host contract. Under GAAP, an embedded derivative within a contract that is not clearly and closely related to the economic characteristics and risk of the host contract is accounted for separately from the host contract and valued and reported at fair value. The change in fair value for the embedded derivative is credited or charged directly to income rather than a separate component of shareholders' equity.

Subsidiaries: The accounts and operations of the Group's noninsurance subsidiaries are not combined with the accounts and operations of the Group as would be required under GAAP.

Policy Acquisition Costs: The costs of acquiring and renewing business are expensed when incurred. Under GAAP, such costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts, to the extent recoverable, would be deferred and amortized over the effective period of the related insurance policies.

Nonadmitted Assets: Certain assets designated as "nonadmitted," principally past-due agents' balances, furniture and equipment, taxes, prepaid pension costs, unsecured loans or cash advances to officers or agents, and other assets not specifically identified as an admitted asset within the NAIC Accounting Practices and Procedures Manual, are excluded from the accompanying balance sheets and are charged directly to shareholder's surplus. Under GAAP, such assets are included in the balance sheets.

Reinsurance: A liability for reinsurance balances has been provided for unsecured unearned premiums and unpaid losses ceded to reinsurers unauthorized to assume such business and for certain overdue reinsurance balances. Changes to those amounts are credited or charged directly to shareholder's surplus. Under GAAP, an allowance for amounts deemed uncollectible would be established through a charge to earnings.

Reserves for losses and loss adjustment expenses and unearned premiums ceded to reinsurers have been reported as reductions of the related reserves rather than as assets, as would be required under GAAP.

Commissions allowed by reinsurers on business ceded are reported as income when incurred to the extent the amount does not exceed actual acquisition costs, rather than being deferred and amortized with deferred policy acquisition costs, as required under GAAP.

Employee Benefits: For purposes of calculating the Group's pension and postretirement benefit obligations, only vested participants and current retirees are included in the valuation. Under GAAP, active participants not currently eligible also would be included.

Deferred Income Taxes: Deferred taxes are provided for differences between the tax basis and statutory basis of assets and liabilities. Deferred tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with IRS tax loss carryback provisions, not to exceed three years, plus 2) the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date limited to 15% of statutory capital and surplus, plus 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted. Deferred taxes do not include amounts for state income taxes. Under GAAP, state income taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years, and a valuation allowance is established for deferred tax assets that may not be realizable. Changes in admitted deferred tax assets are charged directly to shareholder's surplus. Under GAAP, these changes in deferred taxes are charged to income.

Guaranty Fund and Other Assessments: A liability for guaranty fund (and other) assessments (net of certain offsets depending on state rules) is accrued after an insolvency has occurred regardless of whether the assessment is based on premiums written before or after the insolvency. Under GAAP, the assessment recognized is typically accrued when premiums are written because the assessment generally is based on prospective premium writings.

Statements of Cash Flows: Cash, cash equivalents, and short-term investments in the statements of cash flows

NGM Insurance Company, Insurance Subsidiaries and Affiliate

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

Surplus Notes: Surplus notes represent subordinated debt instruments classified as a component of surplus for statutory accounting purposes. Associated surplus note issuance costs are expensed as incurred. Interest expense on surplus notes is reported as a component of net investment income. Under GAAP, surplus notes are reported as debt, and the associated interest is reported as interest expense. Associated surplus note issuance costs are amortized using the interest method over the period to maturity for GAAP.

A reconciliation of net income and capital and surplus of the Group as determined in accordance with statutory accounting practices to amounts determined in accordance with GAAP is as follows for the years ended December 31, 2010 and 2009:

<i>(In Thousands)</i>	Net Income for the Year Ended December 31, 2010	Capital and Surplus December 31, 2010	Net Income for the Year Ended December 31, 2009	Capital and Surplus December 31, 2009
Statutory-basis amounts	\$ 79,072	\$ 769,662	\$ 91,053	\$ 691,974
Add (deduct) adjustments:				
Policy acquisition costs	876	110,295	282	101,486
Investments	1,205	34,260	12,197	23,103
Nonadmitted assets	-	85,853	-	71,158
Deferred income tax	5,988	(56,905)	(9,766)	(58,390)
Pension liability	2,514	(29,742)	1,397	(32,962)
Net income (loss) of subsidiary	6,064	-	(374)	-
Surplus notes	-	(30,000)	-	(30,000)
Other, net	(1,398)	359	3,145	(993)
GAAP-basis amounts	\$ 94,321	\$ 883,782	\$ 97,934	\$ 765,376

Other significant accounting practices are as follows:

Consolidation

The Group's insurance subsidiaries and affiliate are combined in these financial statements. All significant intercompany transactions have been eliminated. The Group's noninsurance subsidiaries, which have significant ongoing operations other than for the Group and its affiliates, are reported at GAAP equity. The net change in the subsidiaries' equity is included in the change in net unrealized capital gains or losses.

Investments

Bonds, preferred stocks, common stocks, and short-term investments are stated at values prescribed by the NAIC, as follows:

Bonds not backed by other loans are principally stated at amortized cost using the interest method.

Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from Bloomberg, a third party, and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities.

Redeemable preferred stocks, which have characteristics of debt securities and are rated as high quality or better, are reported at cost or amortized cost. All other redeemable preferred stocks are reported at the lower of cost, amortized cost, or fair value. Nonredeemable preferred stocks are reported at fair value or lower of cost or fair value as determined by the Securities Valuation Office of the NAIC (SVO), and the related net unrealized capital gains (losses) are reported in shareholder's surplus, along with any adjustment for federal income taxes.

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

Common stocks are reported at fair value as determined by FT Interactive Data Corporation and the related net unrealized capital gains (losses) are reported in shareholder's surplus, along with any adjustment for federal income taxes.

There are no restrictions on common or preferred stock.

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition, and are principally stated at amortized cost.

Cash equivalents are short-term highly liquid investments with original maturities of three months or less, and are principally stated at fair value, which approximates amortized cost.

For repurchase agreements, the Group's policies require a minimum of 102% of the fair value of securities purchased under repurchase agreements to be maintained as collateral. Cash collateral received is invested in short term investments and the offsetting collateral liability is included in miscellaneous liabilities.

Mortgage loans are reported at unpaid principal balances, less allowance for impairment. A mortgage loan is considered to be impaired when, based on current information and events, it is probable that the Group will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage agreement. When management determines the loan is impaired, the mortgage loan is written down and a realized loss is recognized.

The Group recognized interest expense of \$1,334,000 and \$1,601,000 during the years ended December 31, 2010 and 2009, respectively primarily related to Surplus Notes.

Land is reported at cost. Real estate occupied by the Group and real estate held for the production of income are reported at depreciated cost net of related obligations. Real estate that the Group has the intent to sell is reported at the lower of depreciated cost or fair value, net of related obligations. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

Realized capital gains and losses are determined using the specific identification basis. Changes in admitted asset-carrying amounts of bonds, mortgage loans, common, and nonredeemable preferred stocks are credited or charged directly to shareholder's surplus.

The Group has minor ownership interests in limited partnerships. The Group carries these interests based on their ownership in the underlying GAAP equity of the Investee.

Furniture, Equipment, and Software

The admitted value of the Group's electronic data processing equipment and operating software is limited to three percent of capital and surplus. The admitted portion is reported at cost of \$19,627,000 and \$20,931,000, less accumulated depreciation of \$18,759,000 and \$19,584,000 at December 31, 2010 and 2009, respectively. Electronic data processing equipment and operating software is depreciated using the straight-line method over the lesser of its useful life or three years. Nonoperating software is depreciated using the straight-line method over the lesser of its useful life or five years. Other furniture and equipment is depreciated using the straight-line method over its estimated useful life. Depreciation expense charged to operations in 2010 and 2009 was \$8,642,000 and \$6,802,000, respectively.

Premiums

Premiums are earned pro rata over the terms of the policies. The reserve for unearned premiums is determined on a daily pro rata basis.

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense reserves represent management's best estimate of the ultimate net cost of all reported and unreported losses incurred and unpaid through December 31. The Group does not discount loss and loss adjustment expense reserves, except for certain permanent long-term disability claims related to worker's compensation coverages. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Salvage and subrogation recoverables are estimated using the "case basis" method for large recoverables and historical statistics for smaller recoverables. Recoverable amounts deducted from the liability for losses and loss adjustment expense were \$22,541,000 and \$22,023,000 at December 31, 2010 and 2009, respectively.

Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated losses, loss adjustment expenses, commissions, and other acquisition costs and maintenance costs that have not previously been expensed in excess of the recorded unearned premium reserve, future installment premiums, and anticipated investment income on existing policies. The Company did not have a premium reserve deficiency in 2010 or 2009.

Reinsurance

Prospective reinsurance premiums, losses, and loss adjustment expenses are accounted for on a basis consistent with the basis used in accounting for the original policies issued and the terms of the reinsurance contracts. Letters of credit are required from unauthorized reinsurers adequate to fund ceded unearned premiums, ceded unpaid losses, and related receivables.

Reinstatement Premiums

Reinstatement premiums are recognized when the losses creating the additional premiums are incurred.

Permitted Statutory Accounting Practices and Changes in Accounting Practices

The financial statements of the Group are presented on the basis of accounting practices prescribed or permitted by the Florida, Indiana, Michigan, and South Carolina Insurance Departments. The Florida, Indiana, Michigan, and South Carolina Insurance Departments recognize only statutory accounting practices prescribed or permitted by the States of Florida, Indiana, Michigan, and South Carolina for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency. The NAIC' Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the States of Florida, Indiana, Michigan, and South Carolina. The States of Florida, Indiana, Michigan, and South Carolina have not prescribed or permitted accounting practices or procedures for the Group that deviate from NAIC SAP.

In September 2009, the NAIC issued Statement of Statutory Accounting Principles ("SSAP") No. 43-Revised (Loan-backed and Structured Securities) which is effective September 30, 2009. SSAP No. 43-Revised establishes statutory accounting principles for investments in loan-backed securities and structured securities and supersedes SSAP No. 43 (Loan-backed and Structured Securities) and paragraph 13 of SSAP No. 99 (Accounting for Certain Securities Subsequent to an Other-Than-Temporary Impairment). The implementation of SSAP No. 43-Revised did not have a material impact on the Group's statutory-basis financial statements.

NGM Insurance Company, Insurance Subsidiaries and Affiliate

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

In December 2009, the NAIC issued Statement of Statutory Accounting Principles ("SSAP") No. 10-Revised (A Temporary Replacement of SSAP No. 10) which is effective for annual periods ending December 31, 2009 and for interim and annual periods of 2011. SSAP No. 10-Revised establishes statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. It supersedes SSAP No. 10 (Income Taxes). Refer to the policy note within this footnote for changes to the deferred tax process. The implementation of SSAP No. 10-Revised by the Group resulted in an increase of \$9,104,000 in both admitted deferred tax assets and statutory surplus at December 31, 2009.

On December 5, 2009, the NAIC issued Statement of Statutory Accounting Principles ("SSAP") No. 100 (Fair Value Measurements) which is effective December 31, 2010. This statement, which provides guidance on how to measure fair values of assets and liabilities, applies whenever another statement requires or permits assets or liabilities to be measured at fair value, but does not discuss when to use fair value accounting. SSAP No. 100 establishes a fair value measurement hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to market-unobservable data. SSAP 100 was effective for the Company for the year ending December 31, 2010, and did not have any impact on the Company's consolidated financial statements.

2. Investments

The Group used the following methods and assumptions in estimating the "fair value" disclosures for financial instruments in the accompanying financial statements and notes thereto:

Cash (Overdraft), Cash Equivalents, and Short-Term Investments: The carrying amounts reported in the accompanying balance sheets for these financial instruments approximate their fair values.

Investment Securities: Fair values for fixed maturity securities (including redeemable preferred stock) are based on quoted market prices, where available. For fixed maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services, or, in the case of private placements, are estimated by discounting the expected future cash flows using current market rates applicable to the coupon rate, credit, and maturity of the investments. The fair values for most equity securities are based on quoted market prices. The Group owns small positions at December 31, 2010 and 2009 in certain common stocks that are not actively traded. The fair values of these common stocks are provided by the independent investment manager or the Securities Valuation Office of the NAIC.

The following table summarizes the Group's assets and liabilities that are measured at fair value as of December 31, 2010 and 2009:

<i>(In Thousands)</i>	Level 1	Level 2	Level 3	Total
At December 31, 2010				
Cash and cash equivalents	\$ 11,456	\$ -	\$ -	\$ 11,456
Fixed Maturities	52	22,770	9,686	32,508
Preferred Stocks	282	417	-	699
Common Stocks	92,649	-	2,535	95,184
Total assets	<u>\$ 104,439</u>	<u>\$ 23,187</u>	<u>\$ 12,221</u>	<u>\$ 139,847</u>

<i>(In Thousands)</i>	Level1	Level2	Level3	Total
At December 31, 2009				
Cash (overdraft) and cash equivalents	\$ (7,240)	\$ -	\$ -	\$ (7,240)
Fixed Maturities	118	6,652	16,148	22,918
Preferred Stocks	5,307	-	-	5,307
Common Stocks	88,861	5,050	4,440	98,351
Total assets	<u>\$ 87,046</u>	<u>\$ 11,702</u>	<u>\$ 20,588</u>	<u>\$ 119,336</u>

NGM Insurance Company, Insurance Subsidiaries and Affiliate

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

Cash equivalents and certain fixed maturities are recorded at fair value in the Group's financial statements. In instances where there are quoted prices in active markets for identical instruments, as is the case within the U.S. Treasury market, these securities are categorized as Level 1 of the fair value hierarchy. For securities where the fair value of fixed income securities are estimated using recently executed transactions, market price quotations, bond spreads, or models that have inputs from published interest rate yield curves, these securities are generally categorized as Level 2 of the hierarchy. Those securities with fair values estimated by the Group using significant unobservable inputs are categorized as Level 3 of the hierarchy.

Most equity securities are recorded at fair value in the Group's financial statements. The fair value of most common stocks are generally based on quoted prices in active markets. As such, common stocks are generally categorized as Level 1 of the hierarchy. The fair value of most preferred stocks are generally determined by quoted prices for similar instruments in active markets, hence they are categorized as Level 2 of the fair value hierarchy.

The Group realizes transfers between levels of the fair value hierarchy at the end of the reporting period. The following table reconciles the beginning and ending balances of assets valued at fair value and classified as level 3 within the fair value hierarchy for 2010 and 2009:

<i>(In Thousands)</i>	Balance January 1, 2010	Amorti- zation / Accretion	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Purchases, (Sales) and (Maturities)	Transfer in and / or out of Level 3	Balance December 31, 2010
Fixed maturities	\$16,148	\$289	\$(1,994)	\$995	\$(2,275)	\$(3,477)	\$ 9,686
Common stock	4,440	-	(20)	(26)	(1,981)	122	2,535
Total assets	\$20,588	\$289	\$(2,014)	\$969	\$(4,256)	\$(3,355)	\$12,221

<i>(In Thousands)</i>	Balance January 1, 2009	Amorti- zation / Accretion	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Purchases, (Sales) and (Maturities)	Transfer in and / or out of Level 3	Balance December 31, 2009
Fixed maturities	\$ -	\$80	\$(941)	\$(2,651)	\$(2,790)	\$22,450	\$16,148
Common stock	4,600	-	-	(160)	-	-	4,440
Total assets	\$4,600	\$80	\$(941)	\$(2,811)	\$(2,790)	\$22,450	\$20,588

The amortized cost and the fair value of investments in bonds are summarized as follows:

(In Thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2010				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 33,391	\$ 1,495	\$ 84	\$ 34,802
Obligations of states and political subdivisions	585,827	11,996	7,988	589,835
Mortgage-backed securities	446,096	17,241	5,280	458,057
Corporate securities	384,983	22,552	10,507	397,028
Total	\$1,450,297	\$ 53,284	\$ 23,859	\$1,479,722

At December 31, 2009

U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 30,952	\$ 220	\$ 849	\$ 30,323
Obligations of states and political subdivisions	463,563	18,946	3,196	479,313
Mortgage-backed securities	524,288	10,276	13,744	520,820
Corporate securities	383,140	17,768	11,399	389,509
Total	\$1,401,943	\$ 47,210	\$ 29,188	\$1,419,965

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At December 31, 2010 and 2009, the Group held unrated or less-than-investment grade corporate bonds of \$36,685,000 and \$19,938,000, with aggregate fair values of \$37,000,000 and \$20,224,000. Those securities amounted to 3% and 1% of the Group's invested assets, respectively. The Group performs periodic evaluations of the relative credit standing of the issuers of these bonds.

The amortized cost of bonds at December 31, 2010 and 2009 has been modified by adjustments of \$(4,647,000) and \$(4,878,000), respectively, to derive the carrying amount of bonds in the balance sheets.

Equity securities are considered "other-than-temporarily impaired" if their fair values are below cost for six consecutive months and their market values are less than twenty percent of cost or if their market values are less than fifty percent of cost. Realized losses on equity securities due to other-than-temporary impairment were \$290,000 and \$0 for 2010 and 2009, respectively. Bond securities, excluding mortgage-backed securities, are considered "other-than-temporarily impaired" if it is probable that the Group will be unable to collect all amounts due according to the contractual terms of the security in effect at the date of acquisition. Mortgage-backed securities are considered "other-than-temporarily impaired" if management does not have the ability to hold the security to maturity, if management has decided to sell the security prior to maturity at an amount below its carrying value, or if the present value of cash flows expected to be collected is less than the amortized cost basis of the security. Realized losses due to other-than-temporary impairments of \$1,692,000 and \$1,019,000 were incurred in 2010 and 2009, respectively, and are included in net realized gains/(losses) from investments in the Statement of Operations. The 2010 and 2009 losses were due to the present value of future cash flows being less than the amortized cost basis of nine and four, respectively, loan-backed securities, and are summarized below:

<i>(In Thousands)</i>	Amortized Cost Prior to Current- Period OTTI	Present Value of Expected Cash Flows	OTTI Recognized as Realized Loss	Fair Value	Amortized Cost After Current- Period OTTI
Security					
At December 31, 2010					
CWALT 2007-3T1 1A7	\$ 2,344	\$ 2,226	\$ 118	\$1,765	\$ 2,226
CWALT 2005-3CB 1A11	1,365	1,330	35	1,293	1,330
CWHL 2005-14 A3	1,618	1,364	254	1,121	1,364
CSFB 2002-9 1B1	2,653	2,574	79	919	2,574
RAMC 2006-3 M1	1,063	126	937	200	126
SASC 2003-AL1 B1	2,495	2,468	27	1,662	2,468
WFMB 2006-6 1A14	2,356	2,303	53	2,251	2,303
WFMB 2006-6 1A17	2,678	2,522	156	2,870	2,522
CWL 2006-S4 A3	410	378	32	205	378
	\$16,982	\$15,291	\$ 1,691	\$12,286	\$15,291
At December 31, 2009					
CWL 2006-S4 A3	\$ 3,025	\$ 2,626	\$ 399	\$2,210	\$ 2,626
RAMC 2006-3 M1	1,400	1,054	346	577	1,054
CWALT 2007-3T1 1A7	3,165	2,999	166	2,661	2,999
CSFB 2002	2,957	2,849	108	945	2,849
	\$10,547	\$ 9,528	\$ 1,019	\$6,393	\$ 9,528

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A summary of the amortized cost and fair value of the Group's investments in bonds at December 31, 2010, by contractual maturity, is as follows:

<i>(In Thousands)</i>	December 31, 2010	
	Amortized Cost	Fair Value
Years to maturity:		
One or less	\$ 11,697	\$ 13,533
After one through five	202,198	209,811
After five through ten	435,455	445,190
After ten	354,851	353,131
Mortgage-backed securities	446,096	458,057
Total	\$ 1,450,297	\$ 1,479,722

The expected maturities in the foregoing table may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

The Group did not capitalize interest during the years ended December 31, 2010 and 2009, respectively.

Investments in Low Income Housing Tax Credits have holding periods expiring at various dates through 2026. None are subject to adverse regulatory actions, exceed 10% of admitted assets, or require additional capital contributions.

Proceeds from the sale of investments in bonds during 2010 and 2009 were \$734,904,000 and \$803,469,000; gross gains of \$22,874,000 and \$33,797,000, and gross losses of \$4,420,000 and \$3,708,000 were realized on those sales, respectively.

Proceeds from the sale of investments in stocks during 2010 and 2009 were \$97,084,000 and \$18,561,000; gross gains of \$11,011,000 and \$2,426,000, and gross losses of \$1,459,000 and \$3,956,000 were realized on those sales, respectively.

At December 31, 2010 bonds with an admitted asset value of \$21,471,000 were on deposit with state insurance departments to satisfy regulatory requirements.

Unrealized gains and losses on investments in certain preferred and common stocks are reported directly in shareholder's surplus and do not affect operations. The cost, gross unrealized gains and losses, and fair value of the investments in stocks are summarized as follows:

<i>(In Thousands)</i>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2010				
Preferred stocks	\$ 1,208	\$ 68	\$ 52	\$ 1,224
Common stocks	79,283	16,844	943	95,184
Total	\$ 80,491	\$ 16,912	\$ 995	\$ 96,408
At December 31, 2009				
Preferred stocks	\$ 5,150	\$ 200	\$ 43	\$ 5,307
Common stocks	87,836	13,225	2,710	98,351
Total	\$ 92,986	\$ 13,425	\$ 2,753	\$ 103,658

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The following table shows gross unrealized losses and fair value of all investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2010:

<i>(In Thousands)</i>	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 5,284	\$ 84	\$ -	\$ -	\$ 5,284	\$ 84
Obligations of states and political subdivisions	268,609	7,988	-	-	268,609	7,988
Mortgage-backed securities	55,840	1,165	23,988	4,115	79,828	5,280
Asset-backed corporate securities	15,244	84	9,256	1,811	24,500	1,895
Other corporate securities	51,308	3,187	26,907	5,425	78,215	8,612
Total debt securities	396,285	12,508	60,151	11,351	456,436	23,859
Preferred stock	-	-	598	52	598	52
Common stock	6,390	398	1,568	545	7,958	943
Total temporarily impaired securities	<u>\$ 402,675</u>	<u>\$ 12,906</u>	<u>\$ 62,317</u>	<u>\$ 11,948</u>	<u>\$ 464,992</u>	<u>\$ 24,854</u>

The following table shows gross unrealized losses and fair value of all investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2009:

<i>(In Thousands)</i>	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 24,772	\$ 849	\$ -	\$ -	\$ 24,772	\$ 849
Obligations of states and political subdivisions	82,813	1,220	15,469	1,976	98,282	3,196
Mortgage-backed securities	129,475	1,858	68,580	11,886	198,055	13,744
Asset-backed corporate securities	3,377	143	16,550	2,683	19,927	2,826
Corporate securities	43,241	714	52,434	7,859	95,675	8,573
Total debt securities	283,678	4,784	153,033	24,404	436,711	29,188
Preferred stock	257	43	-	-	257	43
Common stock	5,875	213	141,846	2,497	147,721	2,710
Total temporarily impaired securities	<u>\$ 289,810</u>	<u>\$ 5,040</u>	<u>\$ 294,879</u>	<u>\$ 26,901</u>	<u>\$ 584,689</u>	<u>\$ 31,941</u>

The Group considers relevant facts and circumstances in evaluating whether the impairment of the security is other-than-temporary. Relevant facts and circumstances include (1) the length of time the fair value has been below cost; (2) the financial position of the issuer; (3) the Group's ability and intent to hold the security to maturity or until it recovers to amortized cost. To the extent the Group determines that a bond is deemed to be other-than-temporarily impaired and the Group intends to sell the security, the difference between amortized cost and fair value would be charged to operations. For mortgage-backed securities, if the Group intends to hold a bond but determines the security will not recover to amortized cost, the difference between amortized cost and the present value of future cash flows will be charged to operations.

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With respect to common stocks, the unrealized losses are due to temporary fluctuations in fair values. The Group will continue to examine its portfolio and closely watch the value of these stocks. The Group will record an "other-than-temporary" impairment if the amounts do not recover.

With respect to bonds, the unrealized losses are principally due to an increase in interest rates since the investments were acquired. These unrealized losses will reverse as these investments near maturity. The Group does not intend to sell these securities and has the intent and ability to hold these investments until maturity or until fair value recovers above cost or amortized cost.

At December 31, 2010 the lending rate for mortgage loans was 5.6%. At the issuance of a loan, the percentage of any one loan to value of security was 80%. At December 31, 2010 and 2009, the Group held no mortgages with interest overdue beyond 180 days. No amounts were advanced on loans for taxes or assessments. At December 31, 2010 and 2009, no loans were impaired.

The Group's investments in mortgage loans involve commercial real estate. At December 31, 2010, all such mortgages (\$1,438,000) were related to one property located in New Hampshire. This investment includes a first mortgage lien on this completed income-producing property.

The Group has no investments in restructured loans at December 31, 2010 and 2009.

3. Reinsurance

During the normal course of business, the Group places reinsurance with various reinsurance companies and state reinsurance facilities. No material balances are past due or in dispute. Certain premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The ceded reinsurance agreements provide the Group with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. The Group remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

The effects of reinsurance on premiums written and earned are as follows:

<i>(In Thousands)</i>	2010		2009	
	Written	Earned	Written	Earned
Direct premiums	\$ 856,721	\$ 850,680	\$ 807,333	\$ 802,521
Assumed premiums – Nonaffiliates	111,730	102,626	76,437	67,505
Ceded premiums – Nonaffiliates	78,699	79,345	68,270	66,323
Net premiums	<u>\$ 889,752</u>	<u>\$ 873,961</u>	<u>\$ 815,500</u>	<u>\$ 803,703</u>

Amounts payable or recoverable for reinsurance on paid or unpaid losses are not subject to periodic or maximum limits. The Group's ceded reinsurance arrangements reduced certain other items in the accompanying financial statements as follows for the years ending December 31:

<i>(In Thousands)</i>	2010	2009
Losses and loss adjustment expenses	\$ 14,217	\$ 16,254
Loss and loss adjustment expense reserves	\$ 42,260	\$ 39,345
Unearned premium reserves	\$ 11,737	\$ 11,730

At December 31, 2010, no individual reinsurer owed the Group an amount that was equal to or greater than 3% of the Group's surplus.

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The net amount of return commissions recoverable (payable) at December 31, 2010, if all assumed and ceded reinsurance treaties were canceled, is summarized as follows:

<i>(In Thousands)</i>	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserve	Commission Recoverable/ (Payable)	Unearned Premium Reserve	Commission Recoverable/ (Payable)	Unearned Premium Reserve	Commission Recoverable/ (Payable)
Total Nonaffiliates	\$ 40,728	\$ 9,918	\$ (11,737)	\$ (957)	\$ 28,991	\$ 8,961

In 2010 and 2009, the Group did not commute any ceded reinsurance, nor did it enter into or engage in any loss portfolio transfer for any lines of business.

4. Intercompany Pooling Arrangements

NGM is the lead company in an intercompany pooling arrangement for the Group. NGM assumes 100% of the underwriting results of the Pool and the other companies in the Group, with the exception of GDM, cede 100% of their net underwriting results to the Pool. NGM also assumes 100% of the underwriting results of GDM through a separate quota share reinsurance agreement.

5. Federal Income Taxes

All companies in the Group, with the exception of GDM, are included in a consolidated federal income tax return with their ultimate parent company, Main Street America Group Mutual Holdings, Incorporated (MSAGMH) and all of its subsidiaries. The entities included in this consolidated tax return have tax sharing agreements that allocate the consolidated tax provision among the companies. The method of allocation among the companies is subject to the tax sharing agreements, approved by the Board of Directors. Allocations are based upon separate tax return calculations with tax benefits recognized for net losses currently recoverable on a consolidated basis. No amounts were due from the subsidiaries for federal income taxes at December 31, 2010 and 2009. GDM files a stand-alone tax return. GDM is taxed at a 34% income tax rate, which differs from that of the Group. This differential is reflected in the *Reconciliation of Federal Income Tax at Statutory Rate to Actual Federal Income Tax Incurred* note on page 19 within 'Other'.

NGM Insurance Company, Insurance Subsidiaries and Affiliate

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

A. Deferred Tax Assets and Liabilities

The components of the gross deferred tax asset are as follows:

(In Thousands)

	Year Ended December 31					
	2010			2009		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	\$83,721	\$ 2,091	\$85,812	\$61,786	\$ 1,996	\$ 63,782
Statutory valuation allowance	592	-	592	-	-	-
Adjusted gross deferred tax assets	83,129	2,091	85,220	61,786	1,996	63,782
Gross deferred tax liabilities	2,389	13,219	15,608	2,451	11,405	13,856
Net deferred tax asset (liability)						
Before admissibility test	\$80,740	\$(11,128)	\$69,612	\$59,335	\$ (9,409)	\$49,926
Admitted pursuant to paragraph 10.a.	\$20,892	\$ -	\$20,892	\$19,507	\$ -	\$19,507
Admitted pursuant to paragraph 10.b.	24,658	-	24,658	21,813	95	21,908
Admitted pursuant to paragraph 10.c.	13,491	-	13,491	10,306	-	10,306
Additional admitted pursuant to paragraph 10.e.i.	-	-	-	-	-	-
Additional admitted pursuant to paragraph 10.e.ii.	10,854	-	10,854	9,104	-	9,104
Additional admitted pursuant to paragraph 10.e.iii.	-	-	-	-	-	-
Admitted deferred tax asset	69,895	-	69,895	60,730	95	60,825
Deferred tax liability	2,389	13,219	15,608	2,451	11,405	13,856
Net admitted deferred tax asset or liability	\$67,506	\$(13,219)	\$54,287	\$58,279	\$(11,310)	\$46,969
Nonadmitted deferred Tax asset			\$15,325			\$2,957

The Group has elected to admit deferred tax assets pursuant to paragraph 10.e.

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

The Group recorded an increase in admitted deferred tax assets as the result of its election to employ the provisions of paragraph 10.e as follows:

<i>(In Thousands)</i>	Change During 2010		
	Ordinary	Capital	Total
Gross deferred tax assets	\$21,935	\$95	\$22,030
Statutory valuation allowance	592	-	592
Adjusted gross deferred tax assets	21,343	95	21,438
Gross deferred tax liabilities	(62)	1,814	1,752
Net deferred tax asset (liability) before admissibility test	\$21,405	\$(1,719)	\$19,686
Admitted pursuant to paragraph 10.a.	1,385	-	1,385
Admitted pursuant to paragraph 10.b.	2,845	(95)	2,750
Admitted pursuant to paragraph 10.c.	3,185	-	3,185
Additional admitted pursuant to paragraph 10.e.i.	-	-	-
Additional admitted pursuant to paragraph 10.e.iii.	1,750	-	1,750
Additional admitted pursuant to paragraph 10.e.iii.	-	-	-
Admitted deferred tax asset	9,165	(95)	9,070
Deferred tax liability	(62)	1,814	1,752
Change in net admitted deferred tax asset or liability	\$9,227	\$(1,909)	\$ 7,318
Change in nonadmitted deferred tax asset			\$12,368

<i>(In Thousands)</i>	With Paragraphs 10.a - c.	With Paragraph 10.e.	Difference
Admitted deferred tax assets	\$ 43,433	\$ 54,287	\$10,854
Admitted assets	\$ 1,995,898	\$2,006,752	\$10,854
Statutory surplus	\$ 758,808	\$ 769,662	\$10,854
Total adjusted capital	\$ 758,808	\$ 769,662	\$10,854
Authorized control level used in 10.d.	\$ 81,652	\$ 81,677	\$ 25

B. There are no temporary differences for which a deferred tax liability has not been established.

C. Current Tax and Change in Deferred Tax

Current income taxes incurred consist of the following components:

<i>(In Thousands)</i>	Year Ended December 31	
	2010	2009
Current income tax expense	\$ 5,241	\$ 5,730
Tax on capital gains/(losses)	10,215	8,089
Foreign taxes	4	2
Prior year (overaccrual)/underaccrual	3,325	(1,339)
Federal income taxes incurred	\$ 18,785	\$ 12,482

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to significant portions of the gross deferred tax assets and gross deferred tax liabilities are as follows:

<i>(In Thousands)</i>	Year Ended December 31		Change	Character
	2010	2009		
Deferred tax assets resulting from book/tax differences in:				
Reserves	\$23,850	\$19,979	\$ 3,871	Ordinary
Unearned premium	32,414	30,204	2,210	Ordinary
Deferred compensation	3,708	3,523	185	Ordinary
Net operating loss carryforward	10,851	1,534	9,317	Ordinary
Investment tax basis greater than book basis	2,032	1,843	189	Capital
Other capital assets	59	153	(94)	Capital
Other deferred assets	12,898	6,546	6,352	Ordinary
Total deferred tax assets	<u>\$85,812</u>	<u>\$63,782</u>	<u>\$ 22,030</u>	
Nonadmitted deferred tax assets	<u>\$15,325</u>	<u>\$ 2,957</u>	<u>\$ 12,368</u>	

<i>(In Thousands)</i>	Year Ended December 31		Change	Character
	2010	2009		
Deferred tax liabilities resulting from book/tax differences in:				
Unrealized capital gains	\$ 4,980	\$ 3,552	\$ 1,428	Capital
Partnership deferred adjustments	3,551	3,235	316	Capital
Federal Historic Tax Credits basis adjustments	4,402	4,547	(145)	Capital
Other - ordinary	2,389	2,451	(62)	Ordinary
Other - capital	286	71	215	Capital
Total deferred tax liabilities	<u>\$15,608</u>	<u>\$13,856</u>	<u>\$ 1,752</u>	

The change in net deferred income taxes is comprised of the following as of December 31:

<i>(In Thousands)</i>	2010	2009	Change
Total gross deferred tax assets	\$ 85,812	\$ 63,782	\$ 22,030
Total gross deferred tax liabilities	<u>15,608</u>	<u>13,856</u>	<u>1,752</u>
Net deferred tax assets	\$ 70,204	\$ 49,926	20,278
Net deferred tax liability of GDM on January 1, 2010			(12,467)
Tax effect of unrealized			<u>1,427</u>
Change in net deferred income taxes			<u>\$ 9,238</u>

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

D. Reconciliation of Federal Income Tax at Statutory Rate to Actual Federal Income Tax Incurred

The Group's provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 35% to net gain from operations before taxes. The significant items causing these differences at December 31 are as follows:

<i>(In Thousands)</i>	2010	2009
Statutory Gain Provision computed at statutory rate	\$ 34,250	\$ 36,237
Tax exempt income	(4,995)	(5,212)
Dividends received deductions	(418)	(176)
Nondeductible lease expense	2,437	2,309
Federal historic tax credit	(16,346)	(6,165)
Change in non-admitted assets	(5,025)	(4,674)
Other	(356)	(391)
Total incurred Federal income tax expense	<u>\$ 9,547</u>	<u>\$ 21,928</u>
Federal income taxes incurred	\$ 18,785	\$ 12,482
Change in deferred income taxes	(9,238)	9,446
Total statutory taxes	<u>\$ 9,547</u>	<u>\$ 21,928</u>

E. Loss Carryforwards and Expense Recoupments

As of December 31, 2010, the Group (exclusive of GDM) has net operating loss carryforwards available of \$3,832,000 that expire in 2025 through 2028. The operating losses were obtained as part of the GLC acquisition and are subject to an annual limitation on utilization of \$551,000 for the first five years after purchase and \$296,000 thereafter. The amount of federal income taxes incurred that will be available for recoupment in the event of future net losses are \$15,355,000, and \$14,438,000, from 2010 and 2009, respectively.

As of December 31, 2010, GDM has net operating loss carryforwards available of \$27,970,000 that expire in 2011 through 2030. The operating losses are subject to an annual limitation on utilization of \$551,000 for the first five years after purchase and \$296,000 thereafter. The amount of federal income taxes incurred that will be available for recoupment in the event of future net losses is \$0 for both 2010 and 2009.

F. The Group does not currently employ tax planning strategies to recognize the admission of deferred tax assets.

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

6. Losses and Loss Adjustment Expenses

The following table provides a reconciliation of the beginning and ending reserve balances for losses and loss adjustment expenses (LAE), net of reinsurance recoverables, for 2010 and 2009:

<i>(In Thousands)</i>	Year Ended December	
	31	
	2010	2009
Unpaid losses and LAE, at beginning of year	\$ 667,991	\$ 660,772
Add GDM unpaid losses and LAE, at beginning of year	12,892	-
Add provision for claims, net of reinsurance, occurring in:		
The current year	617,122	537,301
Prior years	(41,243)	(21,220)
Net incurred losses during the current year	575,879	516,081
Deduct payments for claims, net of reinsurance, occurring in:		
The current year	295,175	263,477
Prior years	279,405	245,385
Net claim payments during the current year	574,580	508,862
Unpaid losses and LAE, at end of year	<u>\$ 682,182</u>	<u>\$ 667,991</u>

The Group's liabilities for unpaid losses and LAE, net of related reinsurance recoverables, increased 2.1% during 2010. 1.3% of this growth is due to inclusion of GDM's liabilities in the 2010 total. The growth rate in our unpaid losses and LAE has been moderate due to an overall flattening in our policies-in-force growth during the calendar year. Incurred losses related to prior years developed favorably by \$41,243,000 and \$21,220,000 for the years ending December 31, 2010 and 2009 respectively, as a result of actual experience developing more favorably than the Group's initial expectations.

The indemnity portion of reserves for workers' compensation claims have been discounted on a tabular basis using the NCCI Table III-A, at 3.5%. The December 31, 2010 and 2009 loss reserves include \$4,673,000 and \$5,006,000 respectively, of such discounted reserves. The amount of discount for case reserves is \$1,311,000 and \$1,267,000, respectively, and none for IBNR reserves, at December 31, 2010 and 2009, respectively.

The anticipated effect of inflation is implicitly considered in the actuarial methodologies used to estimate our liabilities for losses and LAE. The increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and are modified if necessary.

The Group has reduced reserves by \$8,792,000 and \$1,598,000 at December 31, 2010 and 2009 respectively, for annuities purchased where the claimant is the payee. The Group is contingently liable for such amounts should the issuers of the annuities fail to perform under the terms of the annuities.

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

7. Asbestos-Related and Environmental Loss Reserve

The Group has minimal exposure to asbestos-related and environmental claims relative to its size due to the nature of the risks it insures. Exposure arises primarily from the Homeowners and CMP Property lines of business and the majority of these claims arise from heating oil spills at residences or places of business. The Group estimates the full impact of the exposure by establishing full case basis reserves on all known losses and computing IBNR based on previous experience. In establishing liabilities for claims for asbestos-related illnesses and for toxic waste cleanup claims, the Group's management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretations in the future, there is significant uncertainty regarding the extent of the Group's ultimate liability. Accordingly, a significant amount of additional liability could develop. The Group's asbestos-related and environmental losses (including coverage dispute costs), for years ended December 31, were as follows:

Asbestos Loss Reserves

Gross of Reinsurance:

<i>(In Thousands)</i>	2006	2007	2008	2009	2010
Beginning reserves	\$ 523	\$ 502	\$ 406	\$ 416	\$ 349
Beginning GDM reserves	-	-	-	-	1,720
Incurred losses and LAE	205	30	89	268	377
Payments	226	126	79	335	25
Ending reserves	<u>\$ 502</u>	<u>\$ 406</u>	<u>\$ 416</u>	<u>\$ 349</u>	<u>\$ 2,421</u>

Net of Reinsurance:

<i>(In Thousands)</i>	2006	2007	2008	2009	2010
Beginning reserves	\$ 523	\$ 502	\$ 406	\$ 416	\$ 349
Beginning GDM reserves	-	-	-	-	452
Incurred losses and LAE	205	30	89	268	377
Payments	226	126	79	335	25
Ending reserves	<u>\$ 502</u>	<u>\$ 406</u>	<u>\$ 416</u>	<u>\$ 349</u>	<u>\$ 1,153</u>

At December 31, 2010, the Group held IBNR and LAE reserves related to asbestos coverage in the amount of \$881,000 on a gross and \$385,000 on a net basis.

Environmental Loss Reserves

Gross of Reinsurance:

<i>(In Thousands)</i>	2006	2007	2008	2009	2010
Beginning reserves	\$ 3,153	\$ 1,993	\$ 2,273	\$ 2,173	\$ 2,126
Beginning GDM reserves	-	-	-	-	1,987
Incurred losses and LAE	(600)	763	160	48	2,433
Payments	560	483	260	95	684
Ending reserves	<u>\$ 1,993</u>	<u>\$ 2,273</u>	<u>\$ 2,173</u>	<u>\$ 2,126</u>	<u>\$ 5,862</u>

Net of Reinsurance:

<i>(In Thousands)</i>	2006	2007	2008	2009	2010
Beginning reserves	\$ 3,153	\$ 1,993	\$ 2,273	\$ 2,173	\$ 2,126
Beginning GDM reserves	-	-	-	-	899
Incurred losses and LAE	(600)	763	160	48	1,820
Payments	560	483	260	95	426
Ending reserves	<u>\$ 1,993</u>	<u>\$ 2,273</u>	<u>\$ 2,173</u>	<u>\$ 2,126</u>	<u>\$ 4,419</u>

At December 31, 2010, the Group held IBNR and LAE reserves related to environmental coverage of \$4,783,000 on a gross and \$3,294,000 on a net basis.

NGM Insurance Company, Insurance Subsidiaries and Affiliate

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

8. Capital and Surplus

Property/casualty insurance companies are subject to certain Risk-Based Capital (RBC) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a property/casualty insurance company is to be determined based on the various risk factors related to it. At December 31, 2010, the Group meets the RBC requirements.

The payment of dividends by the Group to shareholders is limited and can only be made from earned profits unless prior approval is received from the Insurance Commissioner of the state of domicile. The maximum amount of dividends that may be paid by property-casualty insurance companies without prior approval of the Insurance Commissioner also is subject to restrictions relating to statutory surplus and net income. In 2010, NGM and MSAAC can pay dividends of \$76,200,000 and \$3,191,000 respectively, without the prior approval of the Florida Insurance Commissioner.

The Board of Directors approved a dividend of \$10,000,000 from MSAAC to its parent MSAFC during 2009. Additionally, the board of directors approved dividend payments by NGM to its parent MSAG of \$10,379,000 and \$10,606,000 during 2010 and 2009, respectively.

A \$40,000,000 reduction in MSAFC's Additional Paid-In Capital was approved by the Board of Directors in 2010. These funds were then refunded by MSAFC back to its parent NGM.

9. Related Party Transactions

The Group shares office facilities and personnel with its subsidiaries. Such shared costs and expenses are allocated to the Group and its subsidiaries based on time and usage studies and those allocations would vary depending on the assumptions underlying those studies. The Group's allocated expenses to uncombined subsidiaries were \$108,000 and \$300,000 in 2010 and 2009, respectively. Amounts due from and to uncombined subsidiaries were \$12,423,000 payable and \$177,000 receivable in 2010 and 2009, respectively.

10. Leases

The Group leases office space and equipment under lease agreements that expire at various intervals over the next five years and are subject to renewal options at market rates prevailing at the time of renewal. Rental expense for all leases was \$12,983,000 and \$12,880,000 for the years ended 2010 and 2009, respectively.

At December 31, 2010, future minimum payments under noncancellable leases are as follows:

2011	2012	2013	2014	2015	Thereafter	Total
\$ 12,666,000	\$ 3,669,000	\$ 2,254,000	\$ 2,067,000	\$ 1,672,000	\$ 246,000	\$ 22,574,000

11. Commitments and Contingencies

The Group is named as a defendant in various legal actions arising principally from claims made under insurance policies and contracts. The Group considers these actions when estimating the loss and loss adjustment expense reserves. The Group's management believes the resolution of these actions will not have a material effect on the Group's financial position or results of operations.

The Group has guaranteed a third party loan of \$5,000,000. If this third party defaults on their loan obligations, the Group will be responsible for the balance of the outstanding loan. The Group has not had to, and does not expect to, fund any amounts related to its guarantee.

The Group is assessed amounts by state guaranty funds to cover losses to policyholders of insolvent insurance companies. Those mandatory assessments may be partially recovered through a reduction in future premium taxes in certain states and from recoveries from the estates of insolvent insurance companies. At December 31, 2010 and 2009, the Group has accrued \$655,000 and \$650,000, respectively, for guaranty fund assessments. A receivable for future premium tax deductions related to these assessments of \$542,000 and \$471,000 was recorded at December 31, 2010 and 2009, respectively. The period over which the assessments are expected to be paid and the recorded premium tax offsets and/or policy surcharges are expected to be realized is up to 10 years. Expenses incurred for guaranty fund assessments were \$(295,000) and \$(160,000) in 2010 and 2009, respectively.

The Group has little exposure to the risks and uncertainties related to the credit crisis.

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The Group has a line of credit agreement with Wachovia Bank for \$10,000,000, with an interest rate of LIBOR plus 1.5%; there was no outstanding balance as of December 31, 2010.

GDM has an advance outstanding at December 31, 2010 with the Federal Home Loan Bank of Indianapolis in the amount of \$1,391,000, with an interest rate of 4.75%. Principal and interest is payable monthly.

The Group has made investments in Low Income Housing Tax Credit and other limited partnerships. Certain of these limited partnership investments require additional capital contributions contingent on a variety of conditions related to the construction and renting of the underlying properties. Upon satisfactory completion of these conditions, the Group will invest additional capital of \$24,508,000, \$2,245,000, \$212,000, \$212,000 and \$200,000 in 2011, 2012, 2013, 2014 and 2015, respectively.

Management has assessed and concluded that there were no material subsequent events through March 9, 2011, the date that the 2010 audited financial statements were published.

12. Surplus Notes

The Group has issued the following surplus notes:

Date Issued	Interest Rate at December 31, 2010	Par Value	Carrying Value	Total Principal and/or Interest Paid Current Year	Total Principal and/or Interest Paid Cumulative	Unapproved Principal and/or Interest	Date of Maturity
12/4/2002	4.30%	\$15,000,000	\$15,000,000	\$ 659,000	\$ 8,077,000	None	12/4/2032
5/15/2003	4.39%	\$15,000,000	\$15,000,000	\$ 674,000	\$ 7,751,000	None	5/15/2033

The interest rate on the 12/4/2002 Surplus Note varies (3-Month LIBOR plus 4%) on a quarterly basis provided, however, that prior to December 4, 2008, the interest rate shall not exceed 12.5%. This Surplus Note was sold for cash to I-Preferred Term Securities I, Ltd., an unaffiliated Company, and is callable at par on or after December 4, 2008.

The interest rate on the 5/15/2003 surplus note varies (3-Month LIBOR plus 4.1%) on a quarterly basis. This surplus note was sold for cash to I-Preferred Term Securities II, Ltd., an unaffiliated Company, and is callable at par on or after May 15, 2008. The Florida Insurance Commissioner must approve in advance, interest, and principal payments on these surplus notes. The payment by the Group of the principal and interest of both surplus notes are subordinated and junior in right of payment to the prior payment in full of all policy claims and senior indebtedness of the Group.

13. Transferable State Tax Credits

The carrying value and the amount of unused transferable state tax credits available are as follows:

State	Carrying Value	Unused Credits
Connecticut	\$ 896,000	\$ 1,400,000
Georgia	71,000	183,000
Massachusetts	883,000	2,498,000
North Carolina	170,000	288,000
South Carolina	163,000	279,000
Virginia	2,372,000	3,000,000
Total	<u>\$ 4,555,000</u>	<u>\$ 7,648,000</u>

Utilization of tax credits is based on projected State tax liabilities; the Group expects to fully utilize these credits during 2011.

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

14. Employee Benefits

The Group sponsors a noncontributory defined benefit retirement plan, which provides benefits to substantially all employees based upon compensation and length of service. Contributions to the plan are at least equal to the ERISA minimum funding requirements. Plan assets consist primarily of common stock, investment-grade corporate bonds, and U.S. government obligations.

The Group has a Profit Sharing Retirement Plan in which substantially all employees are eligible to participate and a deferred compensation plan for senior management. The Group contributed \$1,892,000 and \$1,920,000 in 2010 and 2009, respectively, to the Profit Sharing Retirement Plan.

Certain health care and life insurance benefits are provided for retired employees. Substantially all employees become eligible for those benefits if they reach age 55, with 15 years of service. Plan benefits terminate at age 65. The cost of postretirement benefits is initially recognized when the employee becomes vested and the remainder is recognized over the employees working life. The health care cost trend was 8.50% during 2010, decreasing to 5.00% in 2017 and future years. The health care cost trend was 9.00% during 2009, decreasing to 5.00% in 2017 and future years.

The Group uses a December 31 measurement date for its pension and postretirement benefit plans. The Group expects to make a \$4,000,000 contribution to the defined benefit pension plan in 2011; however, the Group monitors changes in interest rates and the return on pension plan assets and will make adjustments to contributions as needed.

The Groups pension plan weighted-average asset allocations by asset category are as follows:

	Year Ended December 31		
	Target	2010	2009
Equity securities	55% - 65%	54.6%	52.1%
Debt securities	35% - 45%	38.2%	40.4%
Other	0% - 2%	7.2%	7.5%
Total		100.0%	100.0%

The expected return on plan assets of 8.5% is based on the Group's allocation of assets of 60% to equities and 40% to bonds, plus or minus 5%, and the 10-year historical returns of the S&P 500 and the U.S. Lehman Aggregate.

Expected benefit payments for years ended December 31, are as follows:

(In Thousands)

	2011	2012	2013	2014	2015	2016 through 2020
Pension plan	\$ 7,288	\$ 7,925	\$ 8,664	\$ 7,771	\$ 8,082	\$ 43,965
Postretirement plan	\$ 487	\$ 461	\$ 533	\$ 604	\$ 703	\$ 4,264

Health care cost trend rate assumptions have a significant effect on the amounts reported for health care plans. A 1% change in the assumed health care cost trend rates, for years ended December 31, would have the following effects:

(In Thousands)

	Postretirement Benefits			
	1% Increase		1% Decrease	
	2010	2009	2010	2009
Effect on the benefit obligation	\$ 148	\$ 98	\$ (141)	\$ (94)
Effect on total of service and interest cost components	\$ 45	\$ 15	\$ (42)	\$ (14)

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

Plan Assets:

The purpose of the NGM Insurance Company Pension Share Account (the "Plan") is to accumulate assets in order to fulfill its responsibility of providing defined benefits to current and future retired NGM employees. This document establishes policies and guidelines for the management of Plan assets.

Asset allocation is a long term strategic decision based on plan characteristics and capital market assumptions. Disbursement needs (liquidity) and anticipated funding requirements over the near to mid term have been factored into this decision process.

Subject to the review and approval of the Finance Committee, it is the responsibility of the Investment Committee to manage the investment process in a prudent manner with regard to preserving principal while providing reasonable returns. In carrying out these duties, the Committee shall retain an Investment Advisor to assist in managing the assets of the Plan. The Investment Advisor has authority and responsibility to select appropriate investments in the specific asset classes mandated by this Investment Policy Statement, in accordance with (and subject to) the terms of an investment management agreement between the Plan and the Investment Advisor.

The Investment Advisor, acting as fiduciary, will be responsible for implementing asset allocation decisions through the investment sub-advisers for the mutual funds managed by the Investment Advisor. Divergence from the guidelines provided within requires prior approval from the Investment Committee.

Return Objective:

The overall return objective is to achieve a return sufficient to sustain funding adequacy for the plan. Funding adequacy is deemed to have occurred when the market value of assets is at least equal to the Plan's projected benefit obligation as calculated by the plan's actuary. As such, the Plan's total return objective is equal to the actuarial assumed rate of return. In addition, the total return for all invested assets should meet or exceed the performance of the blended benchmark at market weights.

Risk Objective:

The plan's long investment time horizon, fully funded status, strong sponsor balance sheet, and relatively small size of pension contributions and payments as a percent of company earnings all point to an above average risk tolerance. However, the sponsor prefers to avoid large losses so that large unexpected contributions will not be necessary. Overall, the risk tolerance is slightly above average. Risk shall be controlled by ensuring adequate portfolio diversification and prudent overall portfolio quality.

The following table summarizes the Group's plan assets that are measured at fair value as of December 31, 2010 and 2009:

<i>(In Thousands)</i>	Level 1	Level 2	Level 3	Total
At December 31, 2010				
Fixed income mutual funds	\$ 33,498	\$ -	\$ -	\$ 33,498
Equity mutual funds	47,781	-	-	47,781
Hedge funds	-	-	6,332	6,332
Total assets	<u>\$ 81,279</u>	<u>\$ -</u>	<u>\$ 6,332</u>	<u>\$ 87,611</u>
<i>(In Thousands)</i>	Level 1	Level 2	Level 3	Total
At December 31, 2009				
Corporate bonds	\$ -	\$ 70	\$ -	\$ 70
Fixed income mutual funds	33,859	-	-	33,859
Equity mutual funds	43,676	-	-	43,676
Hedge funds	-	-	6,266	6,266
Total assets	<u>\$ 77,535</u>	<u>\$ 70</u>	<u>\$ 6,266</u>	<u>\$ 83,871</u>

NGM Insurance Company, Insurance Subsidiaries and Affiliate

NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

In addition to the assets measured at fair value summarized above, the Group plan's valuation also includes an accrual for interest and dividends receivable of \$139,000 and \$163,000 as of December 31, 2010 and 2009, respectively.

The Group's plan realizes transfers between levels of the fair value hierarchy at the end of the reporting period. The following table reconciles the beginning and ending balances of assets valued at fair value and classified as level 3 within the fair value hierarchy for 2010 and 2009:

<i>(In Thousands)</i>	Balance January 1, 2010	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Purchases, (Sales) and (Maturities)	Transfer in and / or out of Level 3	Balance December 31, 2010
Hedge funds	\$ 6,266	\$ -	\$ 66	\$ -	\$ -	\$ 6,332
Total assets	\$ 6,266	\$ -	\$ 66	\$ -	\$ -	\$ 6,332

<i>(In Thousands)</i>	Balance January 1, 2009	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Purchases, (Sales) and (Maturities)	Transfer in and / or out of Level 3	Balance December 31, 2009
Hedge funds	\$ 3,119	\$ -	\$ 247	\$ 2,900	\$ -	\$ 6,266
Total assets	\$ 3,119	\$ -	\$ 247	\$ 2,900	\$ -	\$ 6,266

A summary of assets, obligations and assumptions of the Pension and Postretirement Benefit Plans, for years ended December 31, are as follows:

<i>(In Thousands)</i>	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Change in Projected Benefit Obligation (PBO):				
PBO at beginning of year	\$ 87,363	\$ 70,102	\$ 3,002	\$ 2,533
Service cost	4,205	3,826	526	114
Interest cost	5,038	5,192	170	186
Plan change	(931)	-	742	-
Actuarial (gain)/loss (excluding assumption change)	129	539	198	151
Actuarial (gain)/loss (due to assumption change)	4,227	11,807	188	230
Benefits paid to participants	(7,296)	(4,103)	(542)	(212)
PBO at end of year	<u>\$ 92,735</u>	<u>\$ 87,363</u>	<u>\$ 4,284</u>	<u>\$ 3,002</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 84,034	\$ 65,391	\$ -	\$ -
Actual return on plan assets	11,012	16,296	-	-
Employer contribution	-	6,450	-	-
Benefits paid	(7,296)	(4,103)	-	-
Fair value of plan assets at end of year	<u>\$ 87,750</u>	<u>\$ 84,034</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status:				
Excess of the PBO over plan assets	\$ (4,985)	\$ (3,329)	\$ (4,284)	\$ (3,002)
Unamortized prior service cost	(827)	146	742	-
Unrecognized net actuarial (gain)/loss	29,936	32,162	422	36
Prepaid asset/(accrued liability)	<u>\$ 24,124</u>	<u>\$ 28,979</u>	<u>\$ (3,120)</u>	<u>\$ (2,966)</u>
Amount recognized in the financial statements:				
Prepaid asset/(accrued liability)	\$ 24,124	\$ 29,309	\$ (4,284)	\$ (3,002)
Nonadmitted asset	(24,124)	(29,309)	-	-
Net accrued benefit cost	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,284)</u>	<u>\$ (3,002)</u>
PBO for non-vested employees	\$ 304	\$ 324	\$ 3,735	\$ 3,105
Accumulated Benefit Obligation (ABO)	\$ 87,008	\$ 79,014	\$ 4,284	\$ 3,002
ABO for nonvested employees	\$ 211	\$ 233	\$ 3,735	\$ 3,105

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(In Thousands)

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	5.50%	6.00%	5.50%	6.00%
Expected return on plan assets	8.50%	8.50%	N/A	N/A
Expected compensation increase (Age Graded Rates)	3% to 6%	3% to 6%	N/A	N/A
Components of net periodic benefit cost:				
Service cost	\$ 4,205	\$ 3,826	\$ 526	\$ 114
Interest cost	5,038	5,192	170	186
Expected return on plan assets	(6,855)	(5,294)	-	-
Amount of recognized losses	2,425	2,747	-	(31)
Amount of prior service cost recognized	43	43	-	-
Total net periodic benefit cost	\$ 4,856	\$ 6,514	\$ 696	\$ 269
Weighted-average assumptions used to determine net periodic benefit cost:				
Discount rate	6.00%	7.75%	6.00%	7.75%
Expected return on plan assets	8.50%	8.50%	N/A	N/A
Expected compensation increase (Age Graded Rates)	3% to 6%	3% to 6%	N/A	N/A

Excess Employee Retirement Plan

The Group has entered into excess retirement income agreements with certain employees. Benefits under those agreements vest at normal retirement or disability. The Group accrues the liability for each agreement over the period from inception to retirement. The expense for those agreements amounted to \$354,000 and \$104,000 in 2010 and 2009, respectively. The Projected Benefit Obligation was \$1,466,000 and the Accumulated Benefit Obligation was \$1,178,000 as of December 31, 2010. The liability recognized in the statement of financial position as of December 31, 2010 is \$1,178,000.

GDM Defined Benefit Pension Plan

GDM sponsors a contributory defined benefit pension plan (the GDM plan) covering substantially all GDM employees through 2010 who meet certain age and length of service requirements. Funding of the GDM plan is based on actuarially recommended contributions. On April 2, 2003, the GDM plan was amended to freeze benefit accruals effective May 31, 2003, and accordingly, benefits will not increase due to service or compensation levels after this date.

GDM uses a December 31 measurement date for its pension plan. GDM expects to make a \$500,000 contribution to the plan in 2011; however, GDM will monitor changes in interest rates and the return on pension plan assets and will make adjustments to contributions as needed.

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

The GDM pension plan weighted-average asset allocations by asset category are as follows:

	Year Ended December 31	
	Target	2010
Equity securities	50% - 60%	60.4%
Debt securities	40% - 50%	39.1%
Other	0%	.5%
Total		100.0%

The expected return on plan assets of 7.0% is based on GDM's allocation of assets of 55% to equities and 45% to bonds, plus or minus 5%, and the 10-year historical returns of the S&P 500 and the U.S. Lehman Aggregate.

Expected benefit payments for years ended December 31, are as follows:

(In Thousands)

	2011	2012	2013	2014	2015	2016 through 2020
Pension plan	\$ 1,682	\$ 1,711	\$ 1,698	\$ 1,684	\$ 1,687	\$ 8,258

The following table summarizes the GDM plan's assets that are measured at fair value as of December 31, 2010:

(In Thousands)

At December 31, 2010

	Level 1	Level 2	Level 3	Total
Cash	\$ 73	\$ -	\$ -	\$ 73
Fixed income mutual funds	2,253	-	-	2,253
Equity mutual funds	8,732	-	-	8,732
Annuity funds	-	3,399	-	3,399
Total assets	\$ 11,058	\$ 3,399	\$ -	\$ 14,457

The GDM plan realizes transfers between levels of the fair value hierarchy at the end of the reporting period.

A summary of assets, obligations and assumptions of the GDM pension plan, for the year ended December 31, are as follows:

(In Thousands)

	2010
Change in Projected Benefit Obligation (PBO):	
PBO at beginning of year	\$ 20,211
Service cost	41
Interest cost	1,261
Actuarial (gain)/loss	1,830
Benefits paid to participants	(1,727)
PBO at end of year	\$ 21,616
Change in plan assets:	
Fair value of plan assets at beginning of year	\$ 13,534
Actual return on plan assets	2,289
Employer contribution	361
Benefits paid	(1,727)
Fair value of plan assets at end of year	\$ 14,457
Funded status:	
Minimum liability	\$ (7,159)
Unrecognized net actuarial loss	7,837
Additional minimum pension liability	(7,837)
Accrued pension liability	\$ (7,159)

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NOTES TO COMBINED STATUTORY-BASIS FINANCIAL STATEMENTS

(In Thousands)

	2010
PBO for non-vested employees	\$ -
Accumulated Benefit Obligation (ABO)	\$ 21,616
ABO for nonvested employees	\$ -
 Weighted-average assumptions used to determine benefit obligations:	
Discount rate	5.50%
Expected return on plan assets	7.00%
Expected compensation increase (Age Graded Rates)	N/A
 Components of net periodic benefit cost:	
Service cost	\$ 41
Interest cost	1,261
Expected return on plan assets	(925)
Amount of prior service cost recognized	329
Total net periodic benefit cost	\$ 706
 Weighted-average assumptions used to determine net periodic benefit cost:	
Discount rate	6.50%
Expected return on plan assets	7.00%
Expected compensation increase (Age Graded Rates)	N/A

GDM sponsored a defined benefit medical plan for substantially all of its employees. This plan was terminated at December 31, 2010. Participating GDM employees were hired by the Group on January 1, 2011 and became participants in the Group's medical plan along with participating retired GDM employees.

Impact of Medicare Modernization Act

The Patient Protection and Affordable Care Act was signed into United States law by President Barack Obama on March 23, 2010. The Group's measures of APBO do not yet reflect any amount associated with the subsidy provided by this legislation.

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