

ON TARGET

PEOPLE PRODUCTS PROFITABILITY



THE MAIN STREET AMERICA GROUP

ANNUAL REPORT



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



MESSAGE FROM THE CHAIRMAN

The Main Street America Group was well-positioned in 2012 to benefit from an improving economy and a firming property/casualty marketplace.

Throughout the year, we maintained our underwriting and pricing discipline and increased top-line growth while continuing to outperform our peer companies in many key areas. Main Street America also continued to further spread risk and increase scale via geographic diversification.

For the second consecutive year, Main Street America was selected to the Ward's 50, ranking us among the top 2 percent of best-performing P&C carriers for sustained strong financial performance from 2007-2011. Ward's metrics include assessing the combined ratio, return on equity, surplus growth, premium growth and leverage ratio of more than 3,000 U.S.-based insurance carriers.

We could not achieve this superior level of long-term success without the tireless efforts of our employees, who consistently deliver "The MSA Experience," and the partnership of our valued independent agent-customers, who continue to place their customers' business with us. We greatly appreciate the hundreds of customers who have made us the No. 1 or No. 2 carrier in their agencies.

Main Street America's 2012 results were much improved compared with 2011, when we incurred \$63 million in catastrophe losses. While we fell short of our 2012 combined ratio goal, our reported 99.9 is well below the projected industry average of 107. It is the sixth time in the last seven years we achieved a combined ratio below 100. Main Street America also posted a solid 11.9 percent return on equity driven by strong investment returns of \$83.2 million. We also achieved robust surplus growth of \$71 million to \$847 million and net income of \$56.7 million.

For the first time since 2003, we generated double-digit net premium growth - 10 percent to \$978 million. All four of Main Street America's regions achieved positive premium growth and three of the four recorded combined ratios below 100.

"For the first time since 2003, we generated double-digit net premium growth - 10 percent to \$978 million."

Our 2012 growth included an affiliation with Minnesota-domiciled Austin Mutual Insurance Company, which occurred in July. This affiliation enables us to expand our footprint to 36 states, adding several new Midwest and Pacific Northwest states. Main Street America also established a new Western Region (replacing our Midwest Region), headquartered in Maple Grove, Minn.

Nearly half of the \$23 million in catastrophe losses we incurred in 2012 were the result of Superstorm Sandy in late October. Main Street America's claims team did a tremendous job delivering on our promise to quickly help our insureds who suffered losses from Sandy and other storms throughout the year.

Main Street America's commercial lines business, which accounts for 58 percent of our total premium, had another outstanding year, achieving a stellar 92.6 combined ratio and 8.5 percent growth. We launched our full line of commercial products, in conjunction with our Main Street Station commercial lines policy processing system, to our customers in Minnesota, Mississippi and Oklahoma.

We also rolled out our new tiered commercial auto product in 15 states. Tiered commercial auto, based on predictive modeling, considers 12 characteristics, which can impact rate and includes 20 pricing tiers, providing a fine-tuned match of risk and rate.

In 2013, Main Street America's full commercial suite and platform will be launched in several of our new states and tiered auto will be implemented in 10 additional states.

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MESSAGE FROM THE CHAIRMAN CONTINUED

Another bright spot in 2012 was Main Street America's surety operations, which posted its best performance in many years. This unit achieved an exceptional 90.5 combined ratio and 15 percent growth, spurred by commercial surety. In 2013, we will continue to focus on underwriting quality, while growing our commercial surety national accounts business and contract surety line.

Main Street America's personal lines business sustained the most impact from 2012 catastrophe losses, posting a 106.2 combined ratio. We also incurred negative growth as we implemented necessary underwriting actions and focused on improving our automation from an ease-of-use standpoint. In 2013, we will be rolling out our revamped Personal Auto MVP product in several states. The "new" Personal Auto MVP will better match our pricing points to an insured's risk characteristics.

Our assumed reinsurance operations generated significant growth in 2012 (24.6 percent), but was impacted by poor performance of some of our legacy accounts as well as nonstandard auto in Texas, resulting in a combined ratio of 111.8. In 2013, we will focus on repositioning our portfolio and managing business which has proven to be unprofitable.

"As we celebrate our 90th anniversary of serving the 'Main Street' marketplace in 2013, Main Street America remains 100 percent committed to the independent agency channel as our only source of distribution."

As we celebrate our 90th anniversary of serving the "Main Street" marketplace in 2013, Main Street America remains 100 percent committed to the independent agency channel

as our only source of distribution. Industry studies consistently validate consumers prefer to buy their insurance from their local independent agent versus other methods and we will take advantage of these opportunities.

Main Street America also continues to be an industry champion of Trusted Choice®, building upon our heritage as the founding Trusted Choice carrier partner when the Independent Insurance Agents & Brokers of America established the brand in 2001. Trusted Choice has grown to 65 company partners and more than 24,000 independent insurance agencies and brokerage firms. We "live the brand" by co-branding everything we release in the marketplace as Main Street America/Trusted Choice.

We are also one of six carriers that invested in the development of the Consumer Agent Portal (CAP), which is projected to launch in 2013. CAP is an online quoting and marketing system which will enable independent agents and carriers to compete better with direct writers and captives to drive personal lines growth through our distribution channel.

In 2013, our strong capital position will enable us to invest in new products and enhanced technology. This will help our customers profitably grow their "Main Street" books of business with us in a market that is becoming more rate-adequate after years of soft pricing. We will also continue to actively seek profitable growth opportunities in existing states and new states – via acquisitions, affiliations, partnerships and strategic agency appointments – enabling us to further spread our risk and increase scale.

We will continue to serve our customers in a magnificent way and partner with them to profitably grow and achieve our 2013 financial goals, which include writing \$1 billion in premium for the first time in our company's history.

Tom Van Berkel
Chairman, President and Chief Executive Officer



TARGET: PROFITABILITY

2012 FINANCIAL OVERVIEW

The Main Street America Group achieved many of its 2012 financial goals and improved its performance over 2011, when the company's results were significantly impacted by \$63 million in catastrophe losses.

Our 2012 results included:

- Return on equity of 11.9 percent versus 2.7 percent in 2011.
- Combined ratio of 99.9, missing our plan of 98.0, but much better than the 106.7 we posted in 2011.
- Net written premium of \$978 million, a 10 percent increase from the \$889 million we generated in 2011.
- Surplus growth of \$71 million (9.2 percent) to \$847 million. Our premium-to-surplus ratio moved up slightly to 1.2 to 1.
- Net income of \$56.7 million, an 80 percent increase over 2011 net income of \$31.5 million.
- Total assets surpassed \$2.1 billion.
- "A" (Excellent) financial strength rating and "a+" issuer credit rating affirmed by A.M. Best, the P&C industry's premier rating agency, with a stable outlook. Our new Austin Mutual affiliate was upgraded to The Main Street America Group's ratings.

Our best-performing profit centers were commercial lines (92.6 combined ratio, 8.5 percent premium growth) and surety (90.5 combined ratio, 15 percent premium growth). Main Street America's regional operations generated a 98.5 combined ratio and 3.9 percent direct premium growth.

On a statutory basis, Main Street America's investment portfolio returned \$83.2 million in 2012, exceeding our plan for the year by \$4.9 million. This favorable result was led by fixed income returns of \$77.1 million, outperforming our plan by \$12.2 million. We were able to realize \$20.1 million in fixed income gains by replacing fully valued bonds with better relative yields. Amid further declining interest rates and tightening spreads, unrealized gains grew to \$97.3 million at Dec. 31, 2012.

Main Street America's public equity portfolio returns were strong, generating \$15.4 million, or \$6.3 million in excess of plan. High-yield bonds added another \$1.8 million to further outperform our plan. These otherwise excellent returns versus plan were somewhat offset by our private equity portfolio, which suffered net losses of \$13.2 million.

On a total return basis, Main Street America's portfolio of marketable securities returned 7.6 percent versus the blended benchmark of 5.7 percent. All major asset classes outperformed their respective benchmarks. Performance in both fixed income and equities were notable, with our returns placing in the top 30 percent and 25 percent of all fixed income and equity managers, respectively.

SURPLUS GROWTH (dollars in millions)



KEY RESULT MEASUREMENTS (dollars in millions)

	2012	2011	2010
COMBINED RATIO	99.9	106.7	99.2
NET WRITTEN PREMIUM	\$978.2	\$889.4	\$889.7
RETURN ON SURPLUS AND EQUITY	11.9%	2.7%	16.8%
SURPLUS AND EQUITY	\$846.9	\$775.3	\$769.7
PREMIUM-TO-SURPLUS RATIO	1.2 to 1	1.1 to 1	1.2 to 1

For more details regarding our 2012 results, please see pages 22-24.



(Left to right): Brian Colby and Noff Colabella, principals of BNC Insurance Agency, Rye Brook, N.Y.; and Anne Bastian, Main Street America business management executive.



TARGET: PEOPLE DIFFERENTIATING FACTORS

When you ask our agent-customers what sets The Main Street America Group's NGM Insurance Company apart in the marketplace, one of the most common replies is "the people."

Brian Colby, principal of BNC Insurance Agency in Rye Brook, N.Y., can attest to this close bond. Brian explained there have been numerous times when two key members of the agency's NGM support team - Wendy Pelkey and Anne Bastian - went out of their way to meet his agency's needs.

"For us, the experience has always been that whenever we need something, Wendy and Anne are both accessible at any time," Brian said. "In terms of the relationships with the people at the company, from marketing to underwriting, it's just fantastic."

Noff Colabella, also a principal at BNC, agrees there is a difference in the way NGM operates.

"NGM looks for ways to help us write business, when some other carriers look for ways to reject it," Noff said. "A lot of our other carriers are actually jealous of NGM for two reasons. Number one is ease of doing business. The company has come a long way in a short time - from paper apps to a robust (policy processing) system. Second, we can pick up the phone and they will work with us to find ways to get things accomplished."

Anne Bastian, Main Street America's business management executive for our NGM downstate New York customers, stressed the strong bond extends both ways with BNC.

"There is a shared level of respect," Anne said. "BNC is not going to try and place business with us that doesn't fit with NGM. They know our 'Main Street' niche inside and out, which is critical. It's a very mutually beneficial relationship - they take care of us, we take care of them."

BNC has been writing business with NGM since Brian and Noff founded the agency in 2000. The partnership has grown throughout the years and NGM currently accounts for approximately 10 percent of the agency's \$40 million in annual written premium.

Wendy Pelkey, a Main Street America senior commercial lines underwriter who is assigned to BNC, said she regularly teams with Anne to provide the best service possible for our Empire State customers.

"I keep her in the loop on everything," Wendy said.

"For example, I create monthly mini-agency reviews and provide her with a full write-up so she can see how her agencies are performing."



Wendy Pelkey, Main Street America senior commercial lines underwriter

Wendy continued, "This enables us to see growth patterns, year-to-date written premium and any loss ratio issues. If a particular line of business is running a high loss ratio, I dig down at the policy level to try to figure out why. We can then notify the customer of the root cause."

"NGM has helped us get to where we are because we have solid relationships."

Brian said, "In terms of relationships that an agency has with a carrier, it's either going to make it or break it at the underwriting level. NGM has helped us get to where we are because we have solid relationships. Without those relationships, there is no way to succeed and write profitable business."

Noff agreed, "In our office, we preach team. To do it overall, we need our carriers to team with us - the marketing reps, underwriters, everyone. If there is one thing we can attribute our success with NGM to, it's that team approach."

A professional photograph of four business executives standing in a modern office hallway. From left to right: a man in a dark suit and striped tie, a man in a dark suit and patterned tie, a man in a dark suit and red tie, and a woman in a dark business suit. They are all smiling and looking towards the camera. The hallway has glass walls on the left and a patterned carpet on the floor.

(Left to right): Cary Wilson, president of Smart Choice South Carolina, Greenville, S.C.; Jack Horejsi, Main Street America business management executive; Phillip Wright, marketing manager at Smart Choice South Carolina; and Deborah Allen, vice president of Smart Choice South Carolina.



TARGET: PRODUCTS THE RIGHT STUFF

Similar to The Main Street America Group, Smart Choice's roots are grounded in the independent insurance agency distribution system. Smart Choice® is a network of 3,000-plus independent property/casualty agents who write business in more than 35 states, including 11 with Main Street America.

In 1998, the intent was clear for Cary Wilson, president of Smart Choice South Carolina, and Deborah Allen, vice president of Smart Choice South Carolina, when they helped expand the organization's operations from North Carolina into The Palmetto State by opening their Greenville, S.C., office.

"We could see the need for a company like Smart Choice because there were so many agents who were unable to obtain carrier contracts," Cary explained. "Smart Choice was a good opportunity for the carriers to start writing business they had ignored or did not recognize they could write – and a great benefit to local independent agents to have more doors opened."

Fast-forward to 2010 and Smart Choice opened yet another door for its network of agents by partnering with Main Street America. Jack Horejsi, Main Street America business management executive in South Carolina, has played a key role in the partnership since the beginning and recognized it would be a success from the start.

"Our products are primarily geared for Main Street."

"Our products are primarily geared for Main Street. Most of the agencies who represent us through Smart Choice are small-town agencies and they tend to write a lot of business that's on Main Street – both personal and commercial," Jack said. "Simply put, we fill a need."

Main Street America now writes with approximately 40 of the 350 South Carolina agents in the Smart Choice network. In 2012, those agents wrote \$2.25 million in premium – nearly a 70 percent jump versus 2011.

This growth was spurred by Main Street America's Main Line Business Owners Policy (Main Line BOP) product, which features 10 programs and more than 500 classes of business.

Phillip Wright, a marketing manager at Smart Choice South Carolina, said their agents gravitate toward Main Line BOP because it offers a lot of bang for the buck.

"We love it because I can go to an insured and offer a complete BOP policy – while the competitor is offering a general liability-only policy," Phillip said. "It gives me a lot more to sell because I'm able to offer significantly more coverage for a competitive price."

To help us further grow our commercial lines book of business with Smart Choice and our other agent-customers across the country, Main Street America recently introduced our tiered commercial auto product, which was available in 15 states at year-end 2012 (10 additional states will be launched in 2013). This competitively priced product provides insureds any combination of the following important coverages: auto liability, medical payments, comprehensive, collision and uninsured/underinsured motorist. Our Commercial Auto Elite endorsement adds several coverage extensions, which significantly broaden the policy.

"The tiered commercial auto product is especially helpful when it's packaged together with Main Street America's Main Line BOP," Phillip said. "By having the additional endorsed coverages, it acts as a sales tool to round out the account."

In the end, it is more than our products that set Main Street America apart from other carriers.

"In my role, I talk to our agents regularly and I consistently hear your (Main Street Station policy processing) system is easy to work with and the communications lines are open." Deborah said. "There is also constant access to Main Street America's underwriters and field marketing representatives."

Cary agreed, "We enjoy doing business with Main Street America because of the individual attention we receive and the high level of service.

"I think it's very important that (Main Street America CEO) Tom Van Berkel is willing and engaged enough to meet with the agents through Listening Tours and Agency Councils. It makes a strong statement to agents that they have someone who is interested and is listening to their needs."



(Left to right): Roger Hamilton, Main Street America operations manager; Carmen Marciano, president of Appleby & Wyman, Beverly, Mass.; Lisa Marciano, senior vice president of operations at Appleby & Wyman; and Mary Ann Dignan, director of P&C practice at Appleby & Wyman.



TARGET: PEOPLE FULFILLING A NEED

When Appleby & Wyman, a long-time customer of The Main Street America Group in Beverly, Mass., began using the MSA Service Center in 2008, the agency had specific reasons in mind for why they thought the partnership was critical.

"We compete in the marketplace against Progressive, GEICO and Liberty Mutual – and their customers are in service centers," said Carmen Marciano, president of Appleby & Wyman. "When you get down to the economics of labor and overhead business costs, we needed to use a service center to stay relevant. By being pretty well-entrenched with service centers going forward, that's how agencies are going to stay in business."

The MSA Service Center is based in Main Street America's Keene, N.H., office and handles routine tasks – including processing renewals and endorsements, completing certificates of insurance and handling general questions – for more than 200 of our independent agent-customers. In 2012, the MSA Service Center generated \$43.3 million in written premium through the small commercial and personal lines accounts it handles.

Courtney Dunnell, an MSA Service Center representative, explained, "The Service Center enables the agency to pass on the administrative and time-consuming work so that they can spend more time with their larger accounts."



Courtney Dunnell, MSA Service Center representative

Lisa Marciano, senior vice president of operations at Appleby & Wyman, agrees the MSA Service Center is an important component of the agency's overall business strategy, which writes approximately \$27 million in annual written premium through its two office locations and has nearly all of its Main Street America book of business in the Service Center.

"Just getting rid of the paper and having the Service Center send out policies for us has been a big savings. Our postage costs have decreased almost 30 percent," Lisa said. "The Service Center has allowed our agency to have a more sales-focused culture. We've implemented cross-selling campaigns and track these activities."

Appleby & Wyman has discovered the benefit of using the MSA Service Center also extends to their insureds.

"We found with the amount of work we had, we couldn't touch the client as much as we wanted to," said Mary Ann Dignan, Appleby & Wyman's director of P&C practice.

"That's one important thing the Service Center is providing us. The clients are getting that extra touch and extra check-in – because we have the resources available."

Roger Hamilton, a Main Street America operations manager who oversees the MSA Service Center, understands the trust placed in his staff when an agent puts an account in the Service Center.

"We have best practices and tools in place to monitor our Service Center reps' calls and ensure we are meeting the agency's expectations," Roger stated. "We value the relationship the insured has with the agency and we aim to strengthen it."

Lisa explained, "We hold our carriers accountable for their responsiveness. We will not apologize for having high standards for our customers. Main Street America understands that and we get the responsiveness we need from them."

**"It feels like the MSA Service Center
reps are an extension of us."**

Mary Ann agreed, "It feels like the MSA Service Center reps are an extension of us because they truly care about our clients."

In the end, the MSA Service Center has helped Appleby & Wyman raise their overall standard of excellence.

"We used to have days where everyone was overwhelmed and just trying to get through the day," Carmen concluded. "By using the Service Center, we can take a step back and look at how we are doing business and what we can do to improve it."



(Left to right): Dawn Jones, bond manager; Scott Kuzmic, executive vice president; and Ken Gelok, senior vice president: all of IOA Northeast, Farmingdale, N.J.; and Allison Tamasaukas, Main Street America bonds account management executive.



TARGET: PRODUCTS FORMING A 'STRONG BOND'

Key ingredients for success in the surety business include financial strength, consistency, quick underwriting response time and a strong relationship between agents and their carriers.

This is certainly the case in New Jersey where The Main Street America Group and IOA Northeast partnered in 2012 to generate excellent results, which is one of the reasons why Main Street America's surety business achieved its best annual performance since prior to the economic downturn in 2008.

"In surety, it's more about relationships than price and our relationship with Main Street America is phenomenal," said Ken Gelok, senior vice president of IOA Northeast, an affiliate of the Insurance Office of America. Located in Farmingdale, N.J., IOA Northeast generated approximately \$4.5 million in contract surety premium in 2012. Of that volume, nearly 25 percent was written with Main Street America.

Ken said the underwriting process is a critical component of the strong relationship between IOA Northeast and Main Street America.

"Main Street America's underwriters are very responsive to us," he said. "They understand what we go through as agents. They understand what our needs are to service our clients. Bonds are very time-sensitive and we have strict deadlines to meet. We can't be late in delivering a bond to our customer."

The agency's relationship with Main Street America account management executive Allison Tamasaukas started in the late '90s when Allison worked for another carrier. It continued when Allison joined Main Street America as the company's first-ever New Jersey-based bonds field representative in 2011.

"I always try to put myself in the shoes of the agent."

"Fundamentally, I always try to put myself in the shoes of the agent," Allison said. "I appreciate what they need to conduct their business. It's important to build a basis of trust with all of my surety customers. That's what leads to the great results we have achieved with IOA Northeast."

In addition to Allison, IOA Northeast has strong relationships with Allison's supervisor, Main Street America director of bonds account management Nancy Giordano-Ramos, and the leader of Main Street America's bonds unit, vice president Brian Beggs.

"Everyone we work with at Main Street America understands what we go through as agents," Ken said. "We are only as good as the company people we deal with. This is a partnership. Your partner is going to help you grow together at a steady, profitable pace and that is exactly what we are doing with Main Street America."

"Both our agency and Main Street America are middle-market focused. That's why we excel together," said Scott Kuzmic, IOA Northeast's executive vice president. "Our hit ratio is so high because we know what Main Street America will write. We know what information they need to make a quick decision."

IOA has a dedicated bond department, led by bond manager Dawn Jones, to service the needs of their many contractors. The agency's contract surety clientele include companies which specialize in construction management; general construction; site, road and bridge work; as well as trade contractors. They also service many commercial surety clients.

"We are positioned so well with Main Street America right now because we have so many good pieces of contract surety business on the books with them. Once the building construction industry flourishes like we expect it to, we are primed for profitable growth," Ken said.

He stressed the partnership between IOA Northeast and Main Street America is as good as it gets.

"It is refreshing to be able to deal with people who are going to help you achieve your goals and objectives. Many of our carriers do things well to service us but Main Street America does everything heads-above the others," Ken concluded.



TARGET: PEOPLE COMMUNITY INVOLVEMENT

In 2012, The Main Street America Group and our employees gave back to the communities where we work and live in a variety of ways:

NGM Charitable Foundation

Main Street America's NGM Charitable Foundation supports local nonprofit organizations focused on health and welfare, educational, cultural and civic needs. The NGM Charitable Foundation donated nearly \$75,000 to worthwhile causes throughout the cities where Main Street America has offices. Our employees also gave nearly \$35,000 in personal donations, which were matched dollar-for-dollar by the Foundation.

United Way

Main Street America supports United Way's mission of advancing the common good and creating opportunities for a better life for all by focusing on the three key building blocks of education, income and health. Through our annual companywide campaign, we donated nearly \$70,000 to support local United Way agencies in our markets. The campaign included voluntary employee payroll deduction donations (matched by the company), as well as a live auction and online auction.

Holiday Toy Drive

Our employees donated hundreds of toys to benefit Toys for Tots and Project Share during our annual toy drive at six office locations.

Thanksgiving Food Drive

During our annual Thanksgiving food drive, Main Street America employees donated well over 1 ton of nonperishable goods to food banks where we have offices.

Employee Volunteer Day

Each year, Main Street America provides every employee with a paid volunteer day, which enables them to spend the entire work day volunteering at a local nonprofit organization of their choosing. In Jacksonville, nearly 20 employees teamed up to use their volunteer day at Second Harvest Food Bank to sort goods for distribution to area soup kitchens.

Companies with Heart

For the fifth consecutive year, Main Street America was honored for its philanthropic efforts by a leading business periodical. *904 Magazine* named our organization to its "Companies with Heart" honor roll.

Land Donation

Main Street America donated a 2.7-acre parcel to Keene State College for the creation of a new health and wellness center, which will support the greater Keene community. The project is expected to break ground within the next three to five years. The health and wellness center's name will include both Keene State and Main Street America.

UNF Endowment

Our five-year endowment to the University of North Florida's Coggin College of Business supports the school's new Main Street America Group Business Career Management Center. Our endowment provides much-needed funding for training and resources to aid Coggin College undergraduate and graduate students in their employment preparation and job searches.

VSA Arts Festival

Nearly a dozen of our Jacksonville employees and their family members participated in the Cummer Museum of Art & Gardens' annual award-winning VSA Arts Festival, which hosts more than 2,000 students with disabilities from schools throughout Northeast Florida's five counties.

Charity Walks

Twenty-one Jacksonville employees and their family members participated in the American Lung Association Fight for Air Run/Walk 5K event and raised more than \$1,500 to help save lives by improving lung health and prevent lung disease.

In Syracuse, 10 employees raised \$1,000 by walking in the Make-A-Wish Foundation® of Central New York's 7th Annual Tiffany Heitkamp Walk for Wishes, which helps fund wishes for area children with life-threatening conditions.



Main Street America claims field unit manager Jason Hartman explains the claims handling process to Woodland Acres Elementary School fifth-grade students during a field trip held at Main Street America's Jacksonville, Fla., headquarters.



Primary and Secondary Education

In partnership with the University of North Florida's College of Education and Human Services, Main Street America "adopted" Woodland Acres Elementary School in Jacksonville three years ago. Twenty of our employees volunteered to tutor students at the elementary school. In addition, we collected nearly 400 books to provide each primary grade student with a book for the summer, as well as held a school supply drive to kick off the new school year. Main Street America also hosted an onsite field trip for the school's entire fifth-grade class to expose them to the atmosphere of working at a locally based company, as well as planting the seeds for a potential career in the insurance field.

In Keene, we kicked off a new partnership with Keene High School's North Campus, a specialty school for "at-risk" youth. More than 50 Main Street America employees spent the school year volunteering their time mentoring students and participating in several on- and off-campus enrichment activities, including apple picking and a barbecue.

We kicked off a new partnership with Keene High School's North Campus.



Melonnie Summers, Main Street America business development executive (left); and John Hawkins, principal of Integrated Insurance Services (SIAA), Pryor, Okla.





TARGET: PROFITABILITY GROWTH OPPORTUNITIES

The Main Street America Group's long-term strategy to spread risk and increase scale via geographic distribution has opened the door to profitable growth opportunities in several of our new states.

In 2012, Main Street America launched its full suite of commercial lines products, in conjunction with our Main Street Station commercial lines processing system, to agent-customers throughout three of the states we have entered via recent affiliations: Oklahoma and Mississippi (Grain Dealers Mutual) and Minnesota (Austin Mutual and Spring Valley Mutual).

Oklahoma customers received the products and platform in April. That opened the door to strong growth of \$1.1 million in written premium versus 2011 volume.

Melannie Summers, who joined Main Street America in 2012 as our Oklahoma business development executive, said our timing was perfect.

"The Oklahoma commercial market was really suppressed because several carriers had pulled out of the state due to catastrophe losses they had suffered over the past couple of years," she said. "We came on board with the right mix of products and the right pricing. Agents were looking for a carrier with stability and a financially strong company like Main Street America blew them away!"

At the top of the list of our 2012 Oklahoma success stories is Integrated Insurance Services. Based in the quaint, rural community of Pryor, 45 miles east of Tulsa, Integrated – a member of the national Strategic Insurance Agency Alliance – sells commercial lines, benefits and personal lines to its "Main Street" customers.

Integrated, which had been a long-time customer of Grain Dealers Mutual before the regional carrier became part of Main Street America in 2009, generated \$265,604 in written premium in 2012, 25 percent of our total premium in the state, and a 241 percent increase versus 2011 business the agency placed with Main Street America.

"This has been a very good fit for our agency and, we believe, for Main Street America," said John Hawkins, principal of Integrated. "We appreciate Main Street America's unique underwriting appetite. Main Street America has helped us be more competitive, both in terms of broad, quality

coverage and pricing. Also, our CSRs like the Main Line BOP because it is easy to rate online and we can process new business quickly. And I can't say enough about Stacy Archer, our Main Street America commercial lines underwriter. She is a tremendous asset to our agency and the company."

"Main Street America has helped us be more competitive."

The types of Main Line BOP accounts Integrated has been writing for its customers include restaurants, artisan contractors and light commercial.

Melannie said, "Integrated jumped right in to learn our new products and system and it showed in their exceptional 2012 results. They also opened the door for us to expand our footprint throughout the state and appoint 15 agencies in markets previously unserved because they are a key member of the Oklahoma Agents Alliance."

In addition to being Main Street America's No. 1 customer in Oklahoma, John has been an influential member of the company's Midwest Region Agency Council and has joined Main Street America's new Western Region Agency Council, which debuts this spring.

"I have enjoyed the opportunity to interact with agents from Main Street America's other states as well as members of the company's senior management team," John said. "It is refreshing to have the management team of a carrier actively participate in these meetings and make decisions based upon our needs."

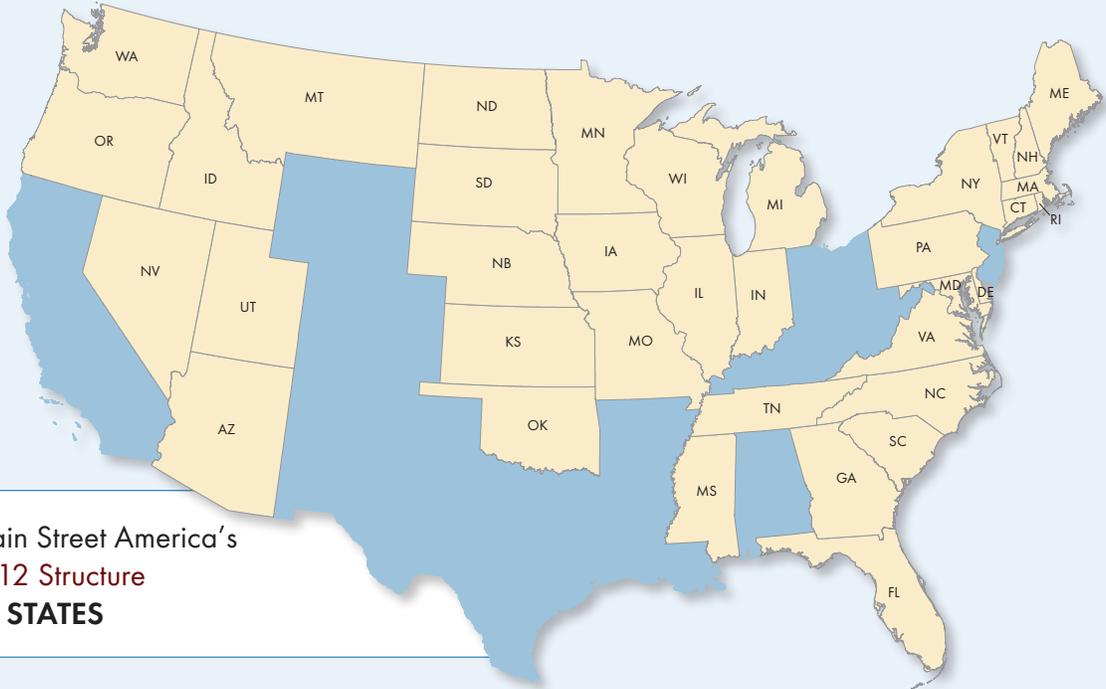
John projects Integrated's profitable growth trend with Main Street America will significantly escalate in 2013.

"With the products and broadness of the package, we expect our Main Street America premium to double this year," he concluded.

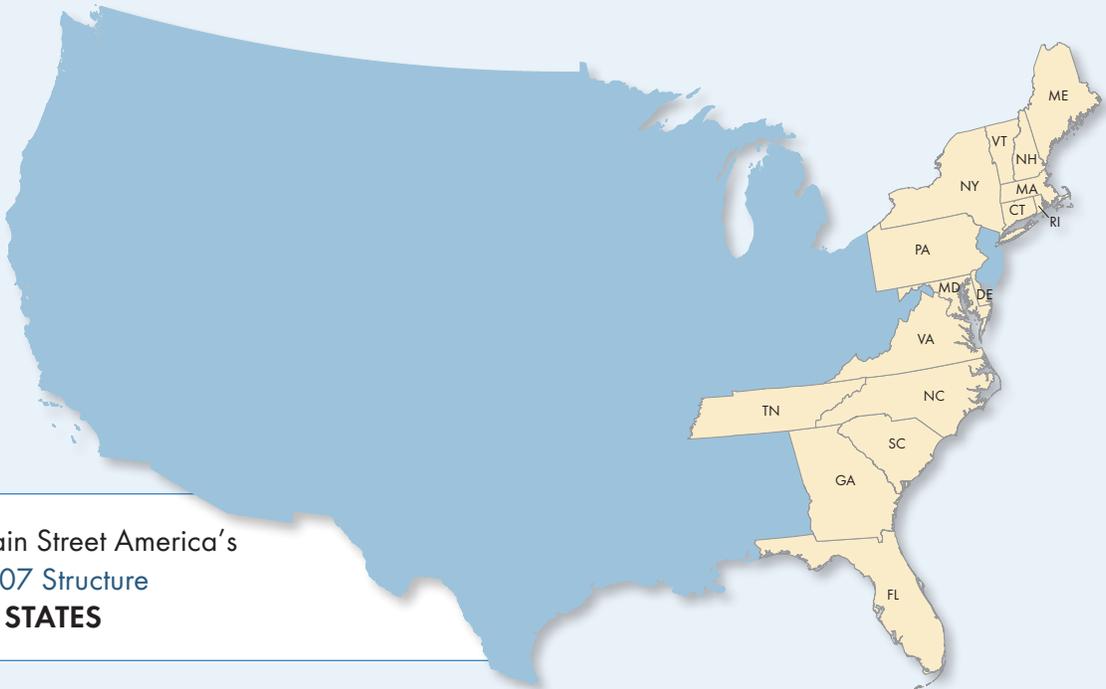
To see how Main Street America's footprint has grown over the past six years, please turn to page 18.



GROWTH OPPORTUNITIES CONTINUED



Main Street America's
2012 Structure
36 STATES



Main Street America's
2007 Structure
16 STATES



CIRCLE OF EXCELLENCE



Gary Marks
Development Analyst
Personal Lines Product
Jacksonville



Michelle Miller
Agency Service Representative
Integrated Customer Solutions
Keene



Lisa Robidoux
Project Manager
Information Technology
Keene



Dianne Shea
Administration Supervisor
Claims
Auburn



Eileen Wyzykowski
Senior Commercial Lines Underwriter
Northeast Region
Remote

Established in 1985, The Main Street America Group's Circle of Excellence is an annual recognition program for our company's employees. Circle members are nominated by fellow employees and selected by the company's senior management team for their embodiment of the organization's core values of ownership, relationships and service. More than 200 employees have been inducted into the company's prestigious Circle of Excellence.



SENIOR MANAGEMENT

Left to right:

ED KUHL

Executive Vice President and Chief Financial Officer

TONI PORTERFIELD

Senior Vice President, Human Resources

DOUG EDEN

Senior Vice President, Field Operations

BRUCE FOX

Vice President, General Counsel and Secretary

TOM VAN BERKEL

Chairman, President and Chief Executive Officer

STEVE PEETERS

*Executive Vice President, Insurance Operations
and Chief Operating Officer*



BOARD OF DIRECTORS

Left to right:

WILLIAM D. GUNTER JR.
Chairman
 Rogers, Gunter, Vaughn Insurance Inc.
 Tallahassee, Fla.

COTTON M. CLEVELAND
President
 Mather Associates
 New London, N.H.

ALBERT H. ELFNER III
Retired Executive
 Boston, Mass.

PHILIP D. KOERNER
*Former President and
 Chief Executive Officer*
 The Main Street America Group
 Jacksonville, Fla.

DAVID FREEMAN
Adjunct Professor of Management
 Central Connecticut State University
 New Britain, Conn.

THOMAS M. VAN BERKEL
*Chairman, President and
 Chief Executive Officer*
 The Main Street America Group
 Jacksonville, Fla.

JAMES E. MORLEY JR.
Director
 Washington Advisory Group
 Washington, D.C.

IDALENE F. KESNER
Associate Dean of Faculty and Research
 Indiana University Kelley School of Business
 Bloomington, Ind.

R. CHRIS DOERR
*Executive Vice President and
 Chief Financial Officer*
 Florida Blue
 Jacksonville, Fla.

ERIC S. ELLIOTT
President and Chief Executive Officer
 Prime Therapeutics LLC
 Eagan, Minn.

JOHN A. DELANEY
President
 University of North Florida
 Jacksonville, Fla.

Not Pictured:
TERRY L. BAXTER
Retired Executive
 Lyme, N.H.



2012 FINANCIAL RESULTS

CONSOLIDATED STATUTORY-BASIS BALANCE SHEETS • UNAUDITED (\$000)

	AS OF DECEMBER 31, 2012	AS OF DECEMBER 31, 2011
ASSETS:		
Investments:		
Tax-Exempt Bonds	\$ 508,148	\$ 493,566
Taxable Bonds	948,194	895,972
Common Stocks	111,147	129,439
Preferred Stocks	732	1,126
Cash and Equivalents	35,440	36,544
Other Investments	110,643	105,742
Total Cash and Investments	1,714,304	1,662,388
Agents Balances	244,280	218,310
Reinsurance Recoverables	6,885	7,464
Deferred Tax Asset	73,852	56,019
Other Assets	65,493	64,824
Total Admitted Assets	\$ 2,104,814	\$ 2,009,005
LIABILITIES AND POLICYHOLDERS' SURPLUS:		
Unpaid Losses - Reported	315,233	309,550
Unpaid Losses - IBNR	254,989	271,740
Unpaid Claims Expenses	105,960	104,081
Unearned Premiums	473,051	439,985
Expenses and Taxes Payable	37,044	33,452
Claim Checks Outstanding	24,813	25,799
Other Liabilities	46,829	49,057
Total Liabilities	\$ 1,257,919	\$ 1,233,664
Policyholders' Surplus	\$ 846,896	\$ 775,341
Total Liabilities and Policyholders' Surplus	\$ \$2,104,814	\$ \$2,009,005



2012 FINANCIAL RESULTS

CONSOLIDATED STATUTORY-BASIS STATEMENTS OF OPERATIONS AND CHANGES IN SURPLUS • UNAUDITED (\$'000)

	AS OF DECEMBER 31, 2012	AS OF DECEMBER 31, 2011
STATEMENT OF OPERATIONS:		
Net Premiums Written	\$ 978,226	\$ 889,413
Premiums Earned	948,486	901,677
Losses Incurred & ALAE	610,250	617,793
Claims Expenses	25,034	25,301
Commissions	183,228	166,943
Other Expenses	140,079	147,546
Total Underwriting Expenses	958,591	957,583
Net Underwriting Gain (Loss)	(10,104)	(55,906)
Net Investment Income	50,722	54,540
Realized Investment Gains	16,568	35,059
Other Income and Expenses	2,609	(2,709)
Income (Loss) Before Taxes	59,794	30,984
Income Taxes	3,101	(475)
Net Income	\$ 56,694	\$ 31,459
STATEMENT OF SURPLUS:		
Surplus, January 1	\$ 775,341	\$ 769,662
Change in Surplus:		
Spring Valley Mutual Beginning Surplus	3,950	0
Capital Stock	0	0
Additional Paid in Capital	0	0
Net Income	56,694	31,459
Net Unrealized Gain from Investments	6,349	(8,962)
Change in Non-Admitted Assets	(7,554)	34,829
Change in Net Deferred Tax Asset	17,744	2,747
Dividends to Stockholders	(10,961)	(45,589)
Other Statutory Changes	5,332	(8,805)
Change in Surplus	71,555	5,679
Surplus, December 31	\$ 846,896	\$ 775,341



2012 FINANCIAL RESULTS

CONSOLIDATED STATUTORY-BASIS STATEMENTS OF CASH FLOW • UNAUDITED (\$000)

	AS OF DECEMBER 31, 2012	AS OF DECEMBER 31, 2011
CASH FLOWS FROM UNDERWRITING ACTIVITIES:		
Net Premium	\$ 945,188	\$ 886,800
Losses	(620,461)	(606,429)
Claims Expenses	(25,034)	(25,301)
Commissions	(183,332)	(175,733)
Other Expenses	(122,426)	(146,163)
Net Cash Provided by Underwriting Activities	(6,065)	(66,825)
Investment Income, Net of Expenses	66,793	71,826
Income Taxes	(17,201)	(1,882)
Capitalized Spending	(6,927)	(7,388)
Miscellaneous Transactions	10,472	33,973
Pension Contribution	(7,300)	(10,000)
Net Cash Provided by Operating Activities	39,772	19,703
Cash Flows from Investing Activities:		
Proceeds from Fixed Maturities Sold	630,971	701,971
Proceeds from Equity Securities Sold	92,360	64,623
Other Proceeds	(11,665)	(24,782)
Purchase of Fixed Maturities	(680,566)	(631,893)
Purchase of Equity Securities	(61,015)	(77,302)
Net Cash Used in Investing Activities	(29,915)	32,618
Cash Flows from Financing Activities:		
Dividends to Stockholders	(10,961)	(45,589)
Net Cash Used in Financing Activities	(10,961)	(45,589)
Net Change in Cash and Cash Equivalents	(1,104)	6,732
Cash and Cash Equivalents, Beginning of Year	36,544	29,812
Cash and Cash Equivalents, End of Period	\$ 35,440	\$ 36,544



OFFICE DIRECTORY

CORPORATE HEADQUARTERS

4601 Touchton Road East
Suite 3400
Jacksonville, FL 32246
(800) 207-0446

REGIONAL OFFICES

New England Region

Territory includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
55 West Street
Keene, NH 03431
(800) 258-5310

Northeast Region

Territory includes Delaware, Maryland, New York, Pennsylvania
220 Salina Meadows Parkway
Suite 200
Syracuse, NY 13212
(800) 962-5515

Southeast Region

Territory includes Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia
4601 Touchton Road East
Suite 3300
Jacksonville, FL 32246
(800) 226-0875

Western Region

Territory includes Arizona, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin
15490 101st Avenue North
Maple Grove, MN 55369
(800) 328-4628

SATELLITE OFFICES

Indiana

6201 Corporate Drive
Indianapolis, IN 46278
(800) 428-7081

Minnesota

117 N. Broadway Street
Spring Valley, MN 55975
(877) 346-7369

Virginia

5101 Cox Road
Suite 100
Glen Allen, VA 23060
(800) 446-7649

NATIONAL CLAIMS CENTER

27B Midstate Drive
Suite 100
Auburn, MA 01501
(877) 425-2467

THE MAIN STREET AMERICA GROUP

NGM INSURANCE COMPANY

OLD DOMINION INSURANCE COMPANY

MAIN STREET AMERICA ASSURANCE COMPANY

MSA INSURANCE COMPANY

GREAT LAKES CASUALTY INSURANCE COMPANY

GRAIN DEALERS MUTUAL INSURANCE COMPANY

SPRING VALLEY MUTUAL INSURANCE COMPANY

MAIN STREET AMERICA PROTECTION INSURANCE COMPANY

AUSTIN MUTUAL INSURANCE COMPANY



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