



# ANNUAL REPORT 2016



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## FAST FORWARD ON OUR VISION

The world is changing rapidly, ushering in a challenging and exciting time filled with opportunity. We have chartered our course leveraging a strong foundation and a dynamic strategic plan. Now we are prepared for whatever lies ahead.

We've said goodbye to the status quo and we are looking forward to a new horizon. This will be a year of profitable growth and opportunity, balanced by our constant commitment to being a trusted partner for our agents and customers.

# PROVIDING PEACE OF MIND AND PROTECTION DURING LIFE'S UNEXPECTED EVENTS.

## BRINGING SECURITY TO OUR CUSTOMERS SINCE 1935

For more than 80 years, Grange has been a source of protection, trust and stability for its customers. Today, combined with our affiliate, Integrity Insurance, we offer customers auto, home, life and business insurance in 13 states. And because we believe that our customers deserve only the best counsel and partnership in making these decisions, we sell our products exclusively through Independent Agents.



# COMMITTED. CONNECTED. PARTNERS.

## WE ARE COMMITTED

With 50 years of an “A” Excellent Rating from A.M. Best and \$2.6 billion in assets, Grange is a stable, reliable partner that makes decisions based on doing what’s right for our agents and customers.

## WE ARE CONNECTED

And while we have the stability of a larger carrier, we’re still small enough to know our agents and their individual business needs. Whether it’s our easy-to-use online platforms, specialized claims representatives or dedicated underwriters, Grange is connected to its agents.

## WE ARE PARTNERS

Grange Independent Agents get more than a carrier, they get a partnership. We respect the sacred relationship between agent and client, and that at each interaction, we represent our agents.

# TRUSTED ADVISORS.

## INDEPENDENT AGENTS ARE A VALUED SOURCE OF EXPERTISE AND EDUCATION

Grange understands and supports the relationship between an agent and their client, and believes this bond is an integral part of our short- and long-term strategy. That's why we build unique relationships that focus on the Ease of Doing Business® for our agents while remaining a stable, consistent partner.

With a long history of partnering with Independent Agents, Grange is big enough to offer the stability of a larger insurance carrier, but small enough to connect with our agents like a small business. We partner with only the best agencies and seek out their feedback to help us make important decisions. With each interaction, whether it's service, claims or billing, we know we represent our agents to their clients.



### **“INSURANCE IS JUST A PROMISE**

...and if I can make good on that promise, then that's everything. And that's one of the great things about Grange. They can make good on that promise they have for the customer as well as the agent.”

– Dan Reid, Reid Insurance Agency



## A MESSAGE FROM THE PRESIDENT & CEO

We said goodbye to the status quo and ushered in a brave new world filled with both challenges and opportunities. Technological advances are changing the way we live, purchase products, services and do business. They are also giving rise to market disrupters at an unprecedented rate.

At Grange, we are meeting these challenges head on, with open eyes and a clear vision. We are taking control of our destiny by focusing on transforming the way we do business from a position of great strength. Much of what we accomplished in 2016 laid the foundation for us to move forward in new and exciting ways, while maintaining the strength and stability we've delivered for more than 80 years.

In 2016, our top line was challenged over the prior year based on deliberate actions taken to better balance our Commercial Lines book and to remain disciplined in our homeowners business in the absence of significant weather events, which we expect to return. We made purposeful decisions and trade-offs in these areas to ensure we can continue to be a stable partner for you well into the future.

# “LAST YEAR WE SAID GOODBYE TO THE STATUS QUO AND USHERED IN A BRAVE NEW WORLD.”

Despite these challenges and with our agent partnerships, we generated \$1.21 billion in premium and delivered our third lowest enterprise combined operating ratio of 93.7% in several decades. In addition, we achieved an all-time high year-end surplus of \$1.16 billion. With focus, we achieved another profitable year for the business despite our industry's changing and increasingly competitive environment.

The industry also recognized our financial strength and stability. A.M. Best affirmed Grange's "A" (Excellent) rating and, for the first time in several years, revised our Issuer Credit Rating (ICR) from a negative to a stable outlook. Additionally, a U.S. Auto Insurance survey by J.D. Power showed that Grange's overall satisfaction score from policyholders in our region improved significantly and we were one of only four profiled carriers to do so.

Across our business segments, we brought new, competitive products to market and made smart investments to position us for future success. We completed our commercial repositioning efforts and are beginning to see strong improvement, as Commercial Lines achieved its first combined operating ratio under 100% in several years. Personal Lines continued to deliver consistent profitability with its lowest combined ratio in a decade. We also made a significant investment in Grange Life to ensure its continued stability, with a focus on growing our core life products. In addition, we continue to maximize our relationship with our affiliate, Integrity Insurance, to better serve our agents and customers across our 13-state footprint. Integrity delivered its fifth straight year of profitable growth for the enterprise.

But numbers are only part of our story. Last year we made important investments and clearly defined our path forward in this new world. We're creating an innovative culture through our innovation incubator to bring new ideas to life that improve how we work and how we serve our agents and customers. As a result, 2016 saw the launch of our own Grange Insurance Skill on Amazon's Alexa Voice Service, enhancements to our MyGrange customer portal and the rapid development of a customer mobile app.

We also reestablished our commitment to creating an inclusive culture that values the unique perspectives of our associates and agent partners. We believe that focusing on diversity and inclusion will help us better understand the needs of our customers and agents, providing them with the right products and services and helping us keep pace with the marketplace.

And lastly, we distinctly stated our promise to agents to be Committed, Connected, Partners. We are dedicated to bringing value to our agents by delivering on our relationships and making it easy to do business with us. Working together as Committed, Connected, Partners is essential to our joint success. With the insurance business growing increasingly complex, having a trusted advisor is more critical for consumers, both business and personal, than ever before. That's why we partner with each agent to deliver peace of mind and protection for every customer we serve.

I'm excited about what the future holds for Grange. In 2017, we will stay the course on our strategic plan and continue our promise to be a stable, predictable partner for our agents. We will be focused on making smart investments for the future that will enable us to grow profitably.

**Thank you to our policyholders, agent partners and associates for being a part of our journey in this brave new world.**

John Ammendola  
President & Chief Executive Officer

# A STRONG FOUNDATION FOR GROWTH.

## DEDICATED TO BEING A STABLE PARTNER

Our foundation-building process began to show results in 2016 as we saw consistent signs of improvement in profit and premium production in Commercial Lines throughout the year. Our bottom-line results showed significant improvement with a combined ratio of 98.1%, our best mark in six years.

From a top-line perspective, we saw consistent, positive improvement in new business production and total written premium, especially in the second half of the year. For the year we finished with a moderate decline in premium as a result of our profit improvement actions.

As last year closed out, we essentially completed our book repositioning and filled out our underwriting team, becoming a more committed and flexible partner to our agents. We continue to focus on providing the right kinds of products and support at the right time for our agents. We gave agents a clearly-defined Risk Appetite Guide, which highlights our consultative approach that allows our underwriters to work closely with agents on more complex risks.

In June we launched our new Cyber Coverage, a key addition to our product lineup. Our Garage marketing campaign in the second half of the year provided agents the right tools and information to effectively target that class of business for growth with Grange.

In 2017 we will continue to evolve our technology to increase responsiveness and service for our partners and their clients. We'll begin offering different coverage options such as multi-tier pricing and we'll improve our automated underwriting process to make it even easier for our agents to do business with us.



**MIKE WINNER,**  
COMMERCIAL LINES PRESIDENT

“It’s an exciting time in Commercial Lines. Our connection to our agents is paying dividends. We’re poised to make a large leap forward in 2017.”

[grangeinsurance.com/insurance/business](http://grangeinsurance.com/insurance/business)

# 98.1%

COMBINED  
OPERATING RATIO

LOWEST MARK SINCE 2010



## COMMERCIAL LINES

# FOCUSED ON AGENTS & CUSTOMERS.

## COMMITTED TO OFFERING ONLY THE BEST PRODUCTS

During the last year we made significant upgrades to both our home and auto products with a focus on agents and customers. Whether it was new features, new coverages or targeted competitive rates, we offered our agents and their clients policies that could fit a variety of needs.

Our PinPoint Homeowners<sup>®</sup> product is now launched in five states with more to come in 2017. In addition to updating our Home policies, we also included enhancements in our Condo and Renters lines to better meet the needs of these two growing segments. The result was a more competitive product for our agents and our customers. Our new business results were ahead of expectations for each launch. We

also focused on our PinPoint Auto<sup>®</sup> product. Based solely on agent feedback, we launched nearly 20 enhancements to the product – from simplifying the quoting process to new features and discounts.

Our enhancements weren't limited to just products as we continued our focus on Ease of Doing Business<sup>®</sup> by improving the agent experience. We implemented Automatic Call Distribution in underwriting – a hybrid phone and online chat system – that improved our response rate and our quality scores.

We continued our strong performance in profitability, finishing with a combined operating ratio of 92.2%, the best result in a decade.

# 92.2%

COMBINED OPERATING RATIO

LOWEST MARK IN A DECADE



**JOHN NORTH,**  
PERSONAL LINES PRESIDENT

“We made considerable progress in 2016 by being more customer-focused with our products. Agency feedback helped us enhance and deploy PinPoint Homeowners<sup>®</sup> in many of our states and new business results confirm we are on the right track.”

[grangeinsurance.com/insurance/home](http://grangeinsurance.com/insurance/home)



## PERSONAL LINES

# INVESTING IN THE FUTURE.

## FOSTERING LONG-TERM FINANCIAL STRENGTH & STABILITY

Any company that successfully stands the test of time will have watershed years – when the organization refocuses its strategy and retools its processes to make the most of its resources and market conditions. Thus was 2016.

In addition to ongoing low interest rates, new regulations topped the list of challenges this year. These new regulations had a significant effect on the strongest tool in our risk management lineup: reinsurance.

With the new regulations, the existing reinsurance structure was no longer viable. As a result, we made updates that will serve us well in the long run, but involved a significant

one-time investment. This investment had a major impact to our 2016 bottom line and is projected to have some minimal impact in 2017.

Even as we responded to industry-wide changes, Grange Life took stock of its overall strategic direction, recommitting to our core products and Grange’s traditional agency force. We also reviewed our product portfolio to better align with our new strategic direction and strengthen our long-term financial foundation. This involved striking a balance between profitability and competitiveness.

We made some tough choices in 2016 but feel confident that the actions we took were the right ones to strengthen our financial and strategic foundations for the future. As we look forward to 2017, there is one constant that will never change - our commitment to the success of our agent partners. We are here to listen and provide the service you need when you need it.

# \$10.6 MILLION

## FIVE STRAIGHT YEARS OF INCREASED NEW BUSINESS PREMIUM

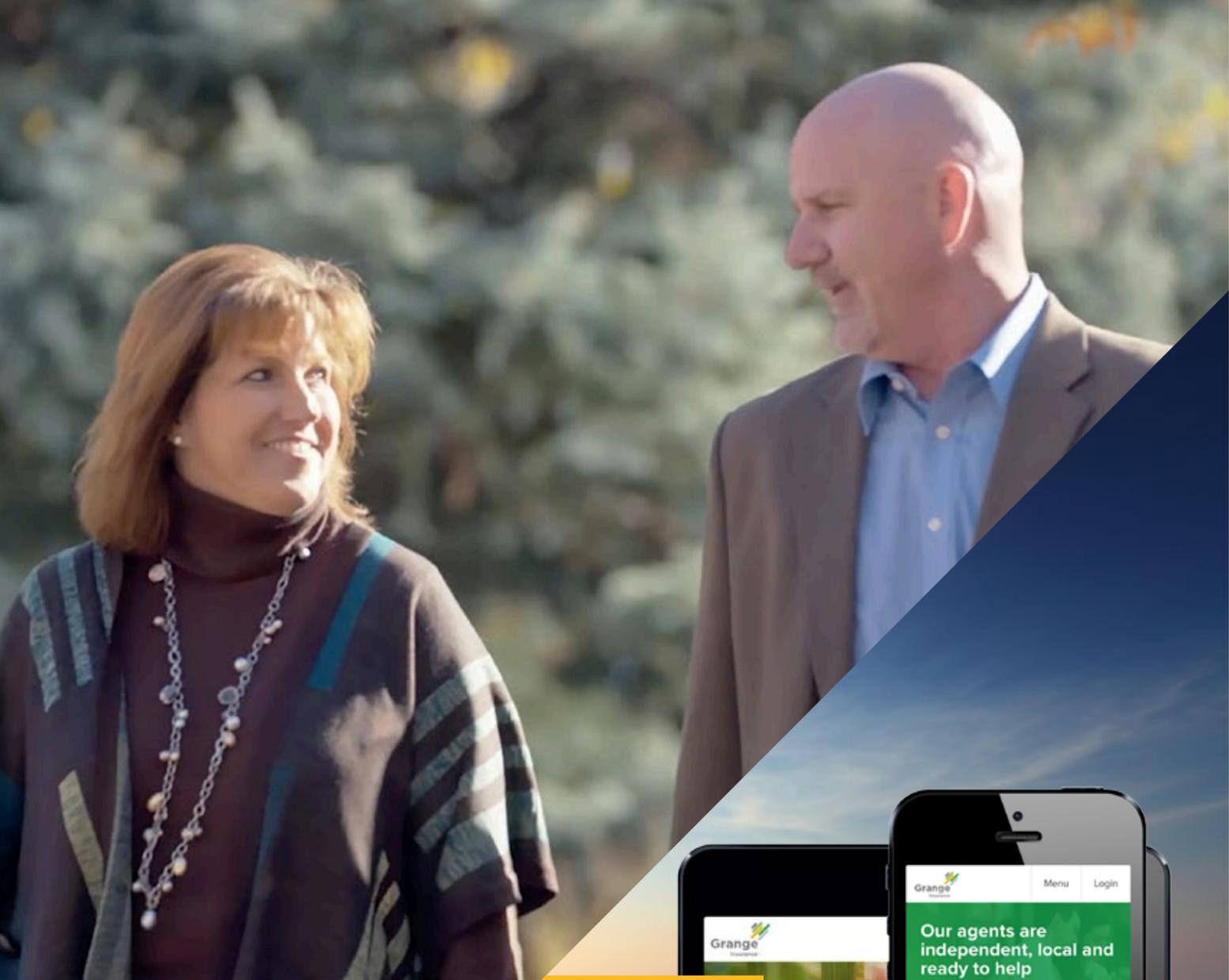


**THERESA MASON,  
GRANGE LIFE PRESIDENT**

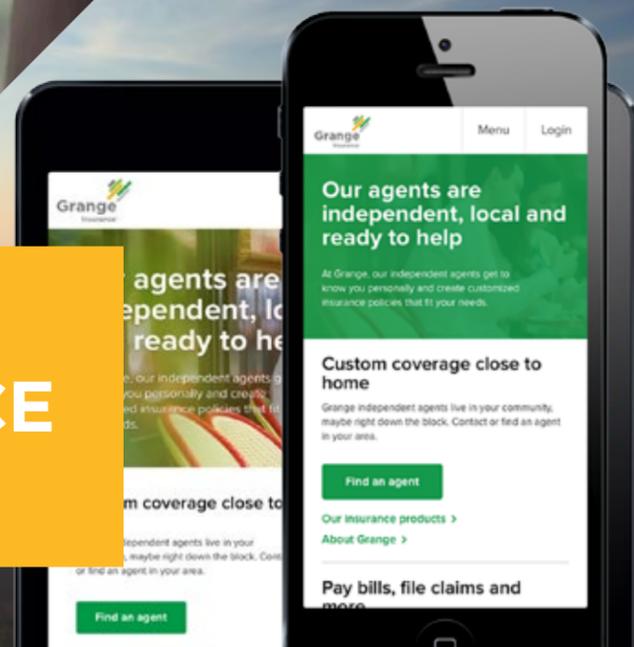
“As we launch into 2017, dedicated service will continue to be the mainstay of our agent relationships.”

[grangeinsurance.com/insurance/life](http://grangeinsurance.com/insurance/life)

**GRANGE  
LIFE**



## A GREAT EXPERIENCE



### FOR OUR INDEPENDENT AGENTS & OUR POLICYHOLDERS.

Whether it's our best-in-class quoting platform, our MyGrange online customer portal or our mobile claims apps, Grange remains connected to agents and customers, providing a simple, straightforward online experience.

## OUR COMMITMENT TO YOU



**“At Grange, a great customer experience combines cutting-edge technology with a personal touch. Putting those two experiences together during every interaction is what we strive for.”**

**LINDA ROUBINEK,  
CHIEF CUSTOMER INTERACTIONS OFFICER**

### EASE OF DOING BUSINESS®

This was at the forefront of our efforts in 2016. Our relationships with our independent agents and policyholders have never been more important. Throughout 2016 we collected and analyzed more feedback than ever before. Whether it was in person, via surveys or focus groups, with agents or policyholders, this feedback gave us increased insight into the opportunities we have to improve the agent and customer experience.

In support of improving the customer experience and delivering Ease of Doing Business, we made improvements to our MyGrange customer portal to ensure that policyholders who wish to self-serve, can do so effortlessly online. We also enhanced our billing processes to support the agent and

customer experience. These improvements made it even easier and more intuitive for customers to make online payments, review payment history, sign up for EasyPay and view and print ID cards.

Our Easy Snap Photo App, Immediate Repair and Open Shop programs rolled out in 2016 offering customers easy-to-use solutions that simplify the claims process and lead to higher satisfaction ratings. Our Claims Recovery team set a new Grange record, recovering more than \$28 million!

We'll continue to leverage agent and customer feedback in 2017 to become better partners for our independent agents and provide the best experience for our customers.

### PROVIDING PEACE OF MIND

In 2016, Grange again offered top-notch claims service that excels even in the toughest of times. With specialized claims associates who focus on personal and commercial products we delivered more efficient and higher quality service.

As consumer expectations continue to rise around online self-service, we continue to make positive strides to make the claims experience as seamless as possible. Our Claims Easy Snap Photo App was launched in all 13 states last year and was popular and effective with more than 70% of estimates completed and paid within 72 hours of receiving the photo.

While our new app was a hit with customers, internal improvements also had an impact on improving our claims service throughout 2016. We identified and triaged complex casualty claims while training our associates in critical thinking skills.

In December, our Grange Preferred Shop Program was rebranded to Premier Choice Network. Premier Choice training sessions prepared associates on how best to anticipate customer needs and highlight network benefits that help create an effortless claims experience. We'll continue to provide customer choice and peace of mind on vehicle repairs, while increasing our focus on customer experience.

Put these internal and external improvements together and Grange offers a claims experience second to none for policyholders and a trusted partnership for agents.



## BOARD OF DIRECTORS

**Front row (from left to right):**

M. Marnette Perry • John Ammendola, President & CEO • Thomas S. Stewart • Terri Dalenta

**Back row:**

Christianna Wood • David C. Wetmore, Chairman of the Board • Glenn E. Corlett • Mark L. Boxer • Michael Fraizer • Robert E. Hoyt

**Not pictured:**

Douglas P. Buth



# LEADERSHIP TEAM



JOHN AMMENDOLA,  
PRESIDENT & CEO



MICHELLE BENZ,  
CHIEF SALES & MARKETING OFFICER



LAVAWN COLEMAN,  
SECRETARY & GENERAL COUNSEL



TIM CUNNINGHAM,  
CHIEF INFORMATION OFFICER



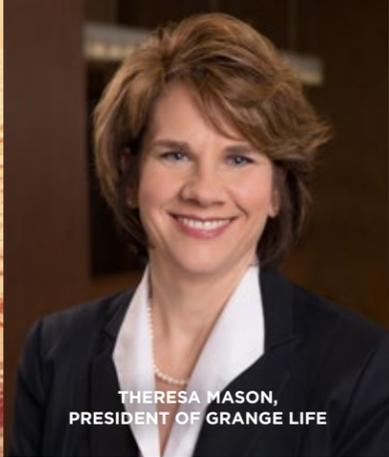
TERRI DALENTA,  
CHIEF FINANCIAL OFFICER



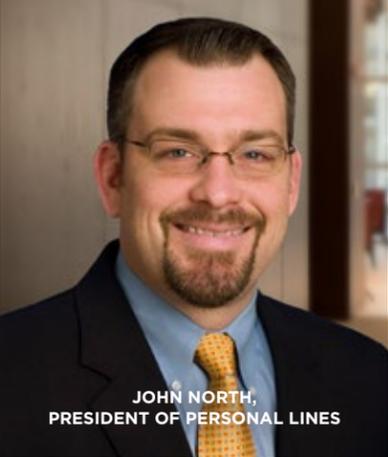
DOREEN DELANEY CRAWLEY,  
CHIEF OPERATIONS OFFICER



CHERYL LEBENS,  
CHIEF RISK & STRATEGY OFFICER



THERESA MASON,  
PRESIDENT OF GRANGE LIFE



JOHN NORTH,  
PRESIDENT OF PERSONAL LINES



LINDA ROUBINEK,  
CHIEF CUSTOMER INTERACTIONS  
OFFICER



JILL WAGNER KELLY,  
PRESIDENT OF INTEGRITY INSURANCE



MIKE WINNER,  
PRESIDENT OF COMMERCIAL LINES



Thank you to the select group of Independent Agents who collaborate with our senior leaders to strengthen all agent relationships.

We're truly grateful to be your partners.

## AGENT ADVISORY BOARD

**Front row (from left to right):**

Doug Walker, Walker & Associates, Indianapolis, IN; Sandra Moody, Dehan Insurance, Columbus, OH; Thomas Crosby, The Insurance Exchange, South Holland, IL; Pat Lamb, Select Insurance Services Agency, North Royalton, OH; Chris Wiseman, Van Meter Insurance, Bowling Green, KY; Doug Erwin, Advanced Insurance Solutions, Hershey, PA.

**Middle row:**

Lisa Dickerson, Dickerson Agency Inc., Kennesaw, GA; Keith Gregory, Ohio Insurance & Financial Group, Mason, OH; Kevin Panter, Panter Insurance, Southeastern Network Agency, Blue Ridge, GA; Greg Trimble, Trimble Insurance Agency, Delaware, OH; Charlie Spencer, Spencer Insurance, Jenkintown, PA; Travis Shrum, Shrum Insurance Services, Hendersonville, TN; Steve Fisher, The Fedeli Group, Independence, OH; Mike Rice, American Heritage Insurance Group, Cincinnati, OH; Gary Rowland, Rowland Insurance Agency, Tompkinsville, KY; Rex Templeton, Jr., Morris & Templeton Insurance Agency, Savannah, GA.

**Back row:**

Jim Hynes, Old National Insurance, Indianapolis, IN; Drew Monroe, Prosper Insurance Group, Virginia Beach, VA; Steven Shelton, Cleveland Insurance, Cleveland, TN; Rob Newman, Newman & Tucker, Cold Spring, KY; Rob Hutzelman, Jr. Kingsgate Financial Insurance Agency, West Chester, OH; Peter Krause, J. Smith Lanier & Company, Johns Creek, GA; Tom Davenport, Blue Marsh Insurance, Inc., Birdsboro, PA; Jim Wehar, Andrew F. Rodgers Insurance Agency, Pittsburgh, PA; Mark Wenclewicz, Wenclewicz Insurance, Indianapolis, IN; John Scharver, Scharver Insurance Group, New Albany, OH.

**Not pictured:**

Sam Crudo, CIA Financial Group, Shelby Township, MI; Bruce Ferguson, Jr. The Underwriters Group, Inc., Louisville, KY; Jay Harvill, Lipscomb & Pitts Insurance, LLC, Memphis, TN; Gerald McMichael, McMichael Insurance Agency, Streetsboro, OH; Randy Phelps, HNI Risk Services of Michigan, Grand Rapids, MI; Jerry Thompson, MVP Insurance, Orland Park, IL; Matt Trittschuh, Matt Trittschuh Agency, Mansfield, OH.

# A LEGACY OF PARTNERSHIP

## FOCUSED ON A COLLABORATIVE, STRONG ENTERPRISE

Celebrating 15 years together in 2016, our affiliation with Integrity Insurance is stronger than ever. Combined, we offer financial stability and a strong market presence that provides more value to our Independent Agents and policyholders.

Today, more than 4,600 agents proudly partner with Grange and Integrity throughout our 13-state footprint. In 2016, Integrity grew premium at double the industry average and enjoyed its fifth straight year of profitability and growth. We will continue to bring our combined power to bear for the good of our policyholders, agents and associates.



Photo:  
Integrity Insurance Corporate Headquarters  
Appleton, WI

[integrityinsurance.com/about](http://integrityinsurance.com/about)

**CELEBRATING 15 YEARS  
WITH INTEGRITY INSURANCE**



# A GREAT PLACE TO WORK

## INVESTING IN OUR ASSOCIATES

Our five core values – Communicate Openly, Do the Right Thing, Deliver Excellence, Be One Team and Solve Creatively for Tomorrow – give Grange associates the freedom to make decisions that are grounded in doing what’s right for our business, our agents and our customers.

# LIVING OUR CORE VALUES



“As we create a more diverse and inclusive workplace, we’re bringing our core values to life. Looking at our business through a multi-dimensional lens helps us become a high-performing company. It also lets us better understand the needs of our agents and customers and provide them with the right products and services.”

**PRISCILLA HAMMONDS, DIVERSITY & INCLUSION LEADER**

Good workplace culture attracts and retains top talent, and encourages associates to do their best work. We’ve worked to strengthen our culture, building around five core values: communicate openly, do the right thing, deliver excellence, be one team and solve creatively for tomorrow.

To live these values, it’s necessary to promote associate development and engagement. For instance, programs such as Emerging Leaders and LeaderView help deliver excellence, encourage high-potential talent and develop innovative solutions for our enterprise.

This year, we added a new associate resource group, Grange PRIDE Partnership and Allies. Along with Grange Women’s Group and Grange Young Professionals, Grange PRIDE helps associates grow and develop, while strengthening our culture of inclusion.

Similarly, we expanded our Diversity and Inclusion efforts this year by launching training sessions for our leadership team, senior-level officers and managers. Associate training will begin in early 2017. We also instilled our core values into our 2016 intern program, hosting teambuilding activities, a 10-week collaborative corporate project, a mentoring program and community service opportunities.

By introducing these core values into all aspects of our enterprise, we’re strengthening our company culture and creating an even better place to work. And it’s paying off! For the fourth year in a row, Grange has been named a Top Workplace in Central Ohio.





### 2016 PHILANTHROPIC AWARDS

- Women for Economic Leadership & Development (WELD) Central Ohio – Leadership Census Award
- United Way of Central Ohio – Leadership Giving Award
- American Red Cross – Life Sharing Challenge Award, 1st Place Insurance



**\$113,700+** in charitable printing services



**>50%** of Grange officers served on non-profit boards in 2016



**6,400+** hours volunteered



**\$684,000** in non-profit donations

## OUR COMMITMENT TO SERVICE

**AT GRANGE, WE STRIVE TO BETTER OUR LOCAL COMMUNITIES BY PROVIDING FINANCIAL DONATIONS AND IN-KIND GIFTS, AS WELL AS VOLUNTEERING ACROSS OUR GEOGRAPHIC FOOTPRINT.**

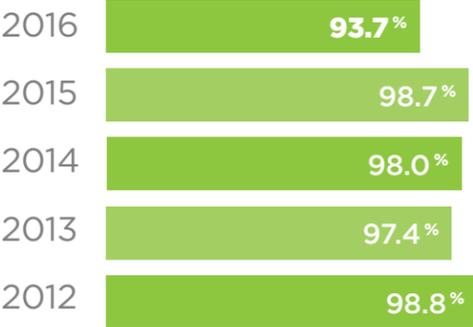
Through our community relations program, we work to expand these efforts and create an even bigger impact on the community year after year. And in 2016, we did just that. We more than doubled our number of volunteer hours and, after more than 50 years of hosting a United Way campaign, we broke our all-time donation record. Plus, Grange matched associate United Way contributions dollar-for-dollar.



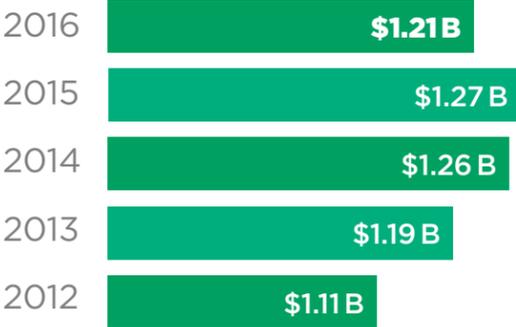
# 2016 FINANCIAL REPORT

## FINANCIAL OVERVIEW

Net combined operating ratio: 2012-2016



Direct Written Premium: 2012-2016



Combined surplus: 2012-2016



Consolidated Assets: 2012-2016



# GRANGE ENTERPRISE P&C FINANCIAL REPORT\*

## Assets

|   |                        |
|---|------------------------|
| Cash and Short Term Investments                     | \$ 62,042,657          |
| Bonds (at amortized cost)                           | 1,474,983,873          |
| Stocks (at market value)                            | 472,755,276            |
| Real Estate (at cost less accumulated depreciation) | 102,265,021            |
| Floating Rate Bank Loans                            | 62,134,918             |
| Other Invested Assets                               | 46,115,055             |
| Securities Lending Reinvested Collateral Assets     | 25,843,065             |
| Accrued Investment Income                           | 14,507,151             |
| Premiums in Course of Collection                    | 236,107,568            |
| Federal Income Tax Receivable                       | 5,746,333              |
| Net Deferred Tax Asset                              | 50,056,556             |
| Other Miscellaneous Assets                          | 18,002,000             |
| <b>Total Assets</b>                                 | <b>\$2,570,559,473</b> |

## Liabilities and Policyholders' Surplus

|   |                        |
|---|------------------------|
| Unearned Premiums                                   | \$468,220,419          |
| Reserve for Losses                                  | 535,512,761            |
| Reserve for Loss Adjustment Expense                 | 160,857,442            |
| General Expenses Payable                            | 56,439,690             |
| Borrowed Money                                      | 60,115,000             |
| Payable for Securities Lending                      | 25,843,065             |
| Other Liabilities                                   | 106,372,563            |
| Total Liabilities                                   | 1,413,360,940          |
| Policyholders' Surplus                              | 1,157,198,533          |
| <b>Total Liabilities and Policyholders' Surplus</b> | <b>\$2,570,559,473</b> |

## Statement of Income and Surplus 2016

|   |                        |
|---|------------------------|
| Premiums Earned                             | \$1,182,825,599        |
| Losses and Loss Adjustment Expense Incurred | 736,505,163            |
| Other Underwriting Expenses Incurred        | 378,889,093            |
| Net Underwriting Gain                       | 67,431,343             |
| Net Investment Gain                         | 68,789,965             |
| Other Income Less Other Expense             | 14,805,949             |
| Dividends to Policyholders                  | (3,608,404)            |
| Income Before Federal Income Taxes          | 147,418,853            |
| Federal Income Taxes Incurred               | 38,515,896             |
| Net Income                                  | 108,902,957            |
| Payoff of surplus notes                     | (35,000,000)           |
| Other Surplus Changes                       | (30,410,198)           |
| Change in Policyholders' Surplus            | 43,492,759             |
| Policyholders' Surplus — January 1          | 1,113,705,774          |
| <b>Policyholders' Surplus—December 31</b>   | <b>\$1,157,198,533</b> |

\* Balance Sheet — December 31, 2016





# GRANGE LIFE FINANCIAL REPORT\*

## Assets

|   |                      |
|---|----------------------|
| Cash and Short Term Investments                 | \$14,190,667         |
| Bonds (at amortized cost)                       | 357,199,558          |
| Common Stocks (at equity)                       | 12,087,891           |
| Policy Loans                                    | 11,802,628           |
| Securities Lending Reinvested Collateral Assets | 1,161,380            |
| Accrued Investment Income                       | 3,142,096            |
| Premiums Due and Uncollected                    | 40,949,301           |
| Amounts Due from Reinsurers                     | 6,397,533            |
| Net Deferred Tax Asset                          | 5,123,558            |
| Other Miscellaneous Assets                      | 215,337              |
| <b>Total Assets</b>                             | <b>\$452,269,949</b> |

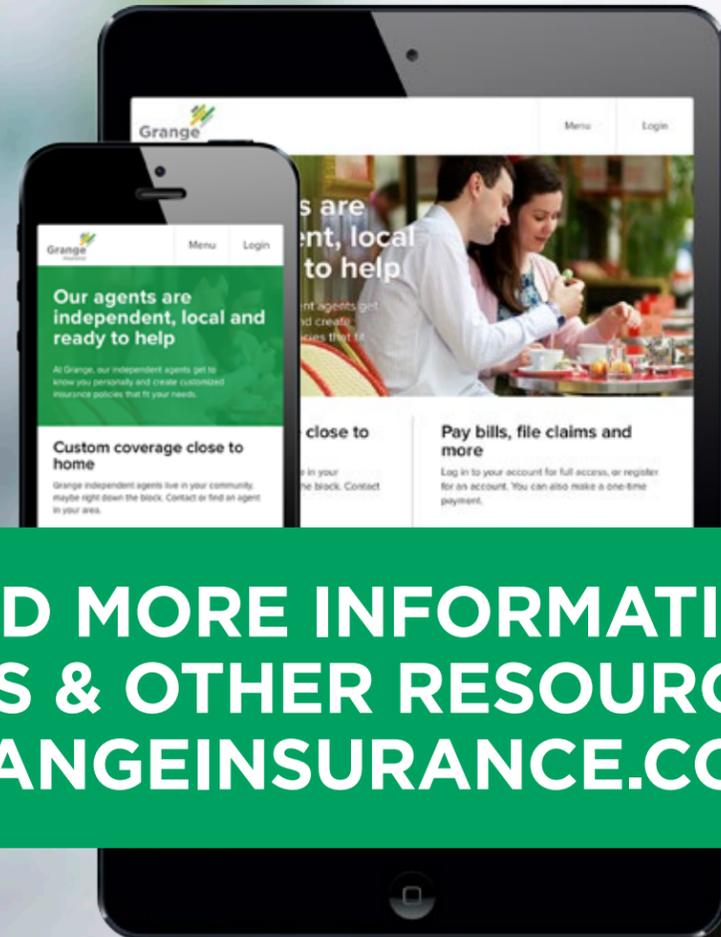
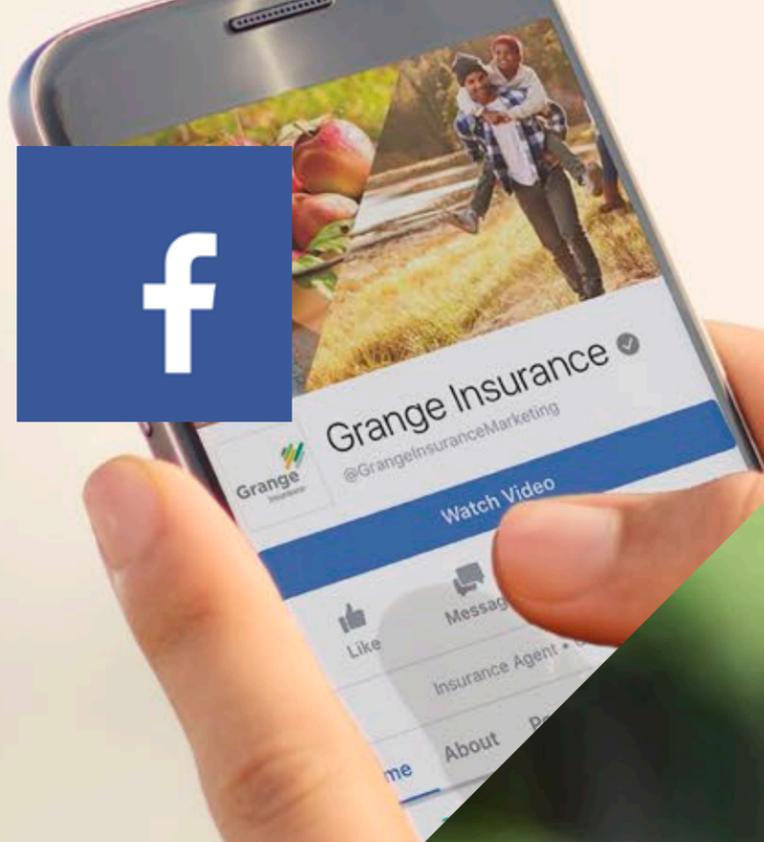
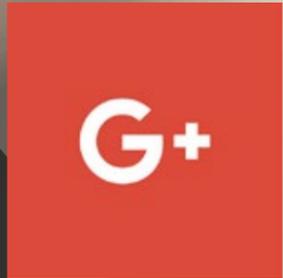
## Liabilities, Capital and Surplus

|  |                      |
|--|----------------------|
| Policy Reserves                                | \$343,973,936        |
| Policy Claims Payable                          | 5,111,516            |
| General Expense Payable                        | 4,576,278            |
| Interest Maintenance Reserve                   | 1,294,572            |
| Securities Valuation Reserve                   | 2,809,978            |
| Payable for Securities Lending                 | 1,161,380            |
| Payable to parent, subsidiaries and affiliates | 10,372,674           |
| Current federal income taxes                   | 4,036,240            |
| Reinsurance payable                            | 3,881,793            |
| Other Liabilities                              | 1,305,501            |
| <b>Total Liabilities</b>                       | <b>378,523,868</b>   |
| <b>Total Capital and Surplus</b>               | <b>73,746,081</b>    |
| <b>Total Liabilities, Capital and Surplus</b>  | <b>\$452,269,949</b> |

## Statement of Income and Capital and Surplus 2016

|  |                     |
|--|---------------------|
| Premium Income   | \$68,279,973        |
| Net Investment Income  | 13,054,601          |
| Benefits Paid to Policyholders   | 86,283,714          |
| Operating Expenses   | 19,112,805          |
| Income (Loss) Before Federal Income Taxes  | (24,061,945)        |
| Federal Income Taxes Incurred  | 4,012,850           |
| Net Loss from Operations after Dividends to Policyholders & Federal Income Taxes | (28,074,795)        |
| Net Realized Capital Loss  | (744,541)           |
| Net Loss   | (28,819,336)        |
| Paid in Capital  | 60,000,000          |
| Other Surplus Changes  | 110,342             |
| Net Change in Capital and Surplus  | 31,291,006          |
| Capital and Surplus - January 1  | 42,455,075          |
| <b>Capital and Surplus - December 31</b>   | <b>\$73,746,081</b> |

\* Balance Sheet — December 31, 2016



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