

ANNUAL REPORT 2015



**OUR MISSION IS TO PROVIDE
PEACE OF MIND AND PROTECTION
DURING LIFE'S UNEXPECTED EVENTS.**



80+ YEARS OF TRUST AND PROTECTION

Our story began in 1935. Today, we offer customizable auto, home, life and business insurance products, serving customers across 13 states. Because we firmly believe our customers are best served through the trusted choice and counsel of independent agents, Grange and our affiliate, Integrity Insurance, sell exclusively through independent agents.

830,000+

Policyholders

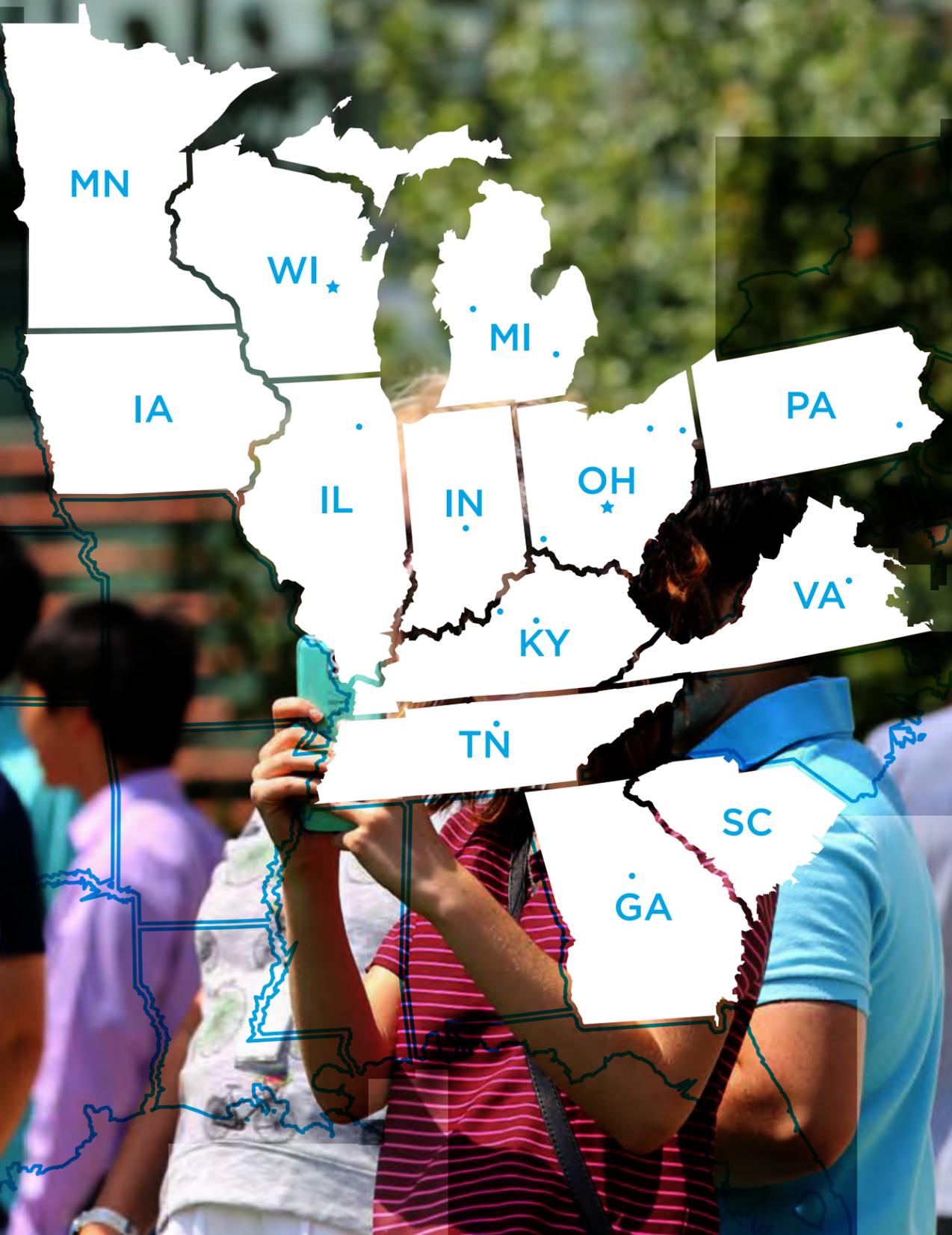
trust Grange and Integrity with their insurance needs



GRANGE AND INTEGRITY, STRONGER TOGETHER

Our affiliation with Integrity Insurance is 14 years strong. Together, we have greater financial strength and market presence. And, we can deliver even more value to agents and policyholders. In 2015, Integrity hit an all-time high for policies and enjoyed its fourth straight year of profitability and growth.

13 States



★ Grange Corporate Headquarters • Columbus, OH
Integrity Corporate Headquarters • Appleton, WI

• Grange Local Claims Offices

BUILDING TRUE PARTNERSHIP

Independent agents are part of our DNA. They're valued partners and the cornerstone of our business. It's these relationships that set us apart and drive us to be the best at what we do.



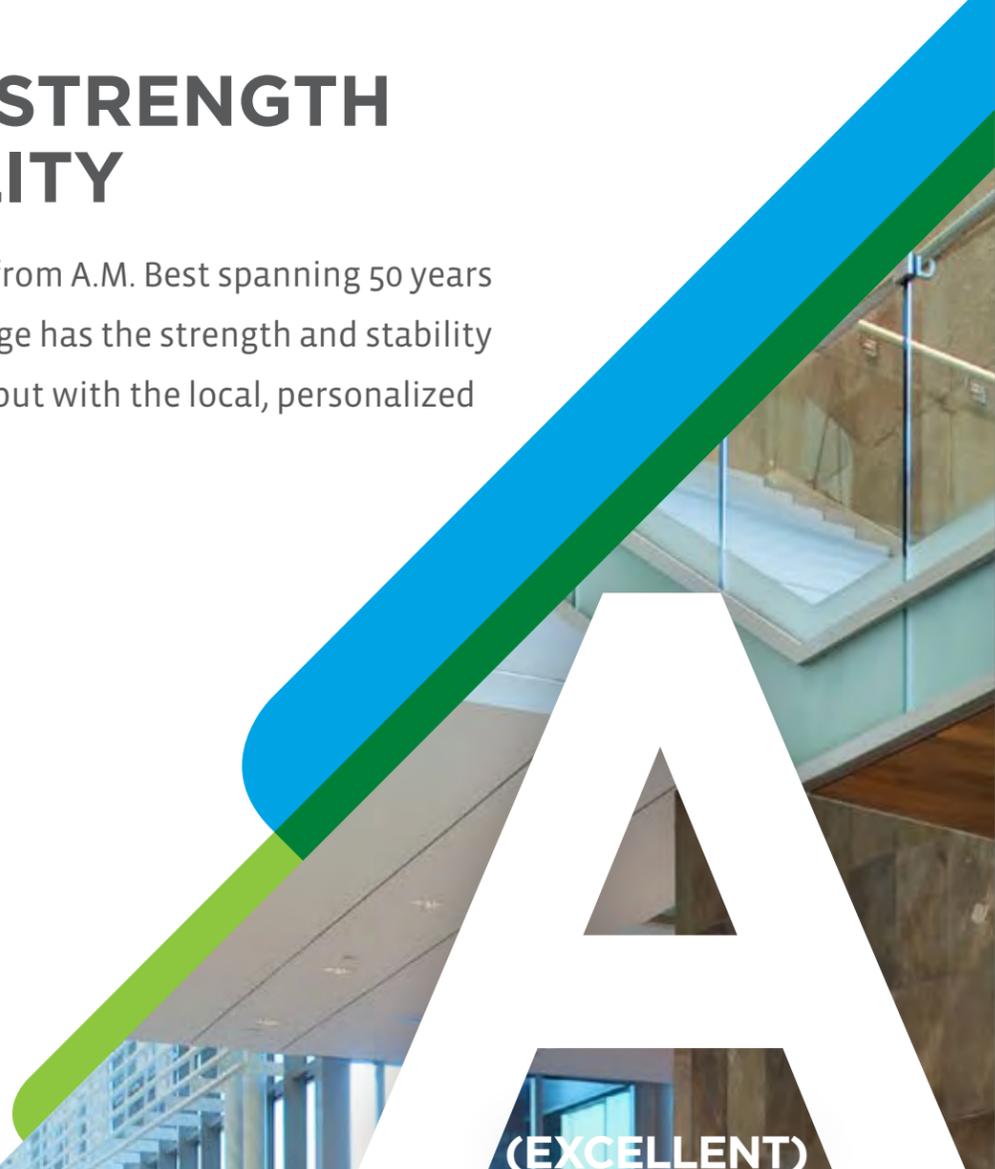
5,000+

Independent Agents

proudly partner
with Grange and Integrity

FINANCIAL STRENGTH AND STABILITY

With an “A” Excellent rating from A.M. Best spanning 50 years and \$2 billion in assets, Grange has the strength and stability of a larger insurance carrier but with the local, personalized service of a small company.



A
(EXCELLENT)

RATING

from A.M. Best



“The world is changing. Consumers are changing. We as an industry must be changing, too.”

A Message from the President & CEO

For more than 80 years, Grange has delivered on our promise to provide high quality protection to our policyholders while being a stable, predictable partner to our agents. Over the past year, we continued to deliver on that foundational promise but with an eye to the future, too.

The products, services and people we invest in year after year each play a critical role in our continued growth and success. In 2015, together with our agent partners, we generated an all-time high of \$1.3 billion in premium and delivered an enterprise net combined ratio (NCOR) of 98.7. In addition, we achieved record year-end surplus of \$1.1 billion. With focus, we achieved a profitable year for the business despite our industry’s challenging economic and competitive environment.

Across our business segments — Personal Lines, Commercial Lines and Grange Life — we brought new, competitive products to market to fuel our agents’ business growth while meeting the full spectrum of insurance needs for policyholders. We continued to maximize our relationship with our affiliate, Integrity Insurance, to better serve our agent and customer base throughout our 13-state footprint.

We hit several big milestones in our work to deliver exceptional service and Ease of Doing Business®. We introduced a redesigned, mobile-friendly website that offers an improved experience for our policyholders. And we continue to enhance our quoting platform GAINWeb® for agents, which is consistently recognized as one of the easiest to use in the industry.

When considering the impact of technology on the broader marketplace, though, we have to acknowledge that the idea of high quality service is quickly evolving. Mobile device usage, web shopping and social media are reshaping service expectations and shopping preferences for both personal and business consumers. The world is changing. Consumers are changing. We as an industry must be changing, too.

In 2015, we challenged ourselves and our agents to evolve to address these market shifts head-on. The result is a clear vision for the future, one that will help us transform and modernize as a company.

In 2016, we’ll continue to make focused investments and grow areas of the business that hold the most untapped potential, especially in Commercial Lines. We’ll also begin to invest in technology that supports an easier way of doing business digitally for both our agents and policyholders.

I’m excited about what the future holds for Grange. Thank you to our more than 5,000 agent partners and 1,400 associates for being a part of the journey forward.

John Ammendola
President & Chief Executive Officer



COMMERCIAL LINES

As we seek to diversify our revenue over the next decade, we continue to invest heavily in building a strong foundation for growing our Commercial Lines business.



"I've never been more energized to be part of something so meaningful. Bottom line is we're open for business."

MIKE WINNER, COMMERCIAL LINES PRESIDENT

In 2015, we focused our efforts in

3 KEY AREAS

- 1) Underwriting Support
- 2) Risk Appetite
- 3) Product Enhancement

Bringing clarity and new products

Early in the year, we restructured the underwriting teams for our standard products, giving agents a single point of underwriting contact. This change delivers consistency in the underwriting support we deliver to our agent partners and customers, and allows our agents to build deeper and more successful relationships with their underwriters.

Secondly, we introduced a Risk Appetite Guide for our standard products, broadening our risk appetite and clearly defining the risks agents can successfully write with us. In addition, we began taking a unique, more consultative approach to underwriting complex, tougher risks. We want to consult with agents on these risks and learn more to see if we can find solutions.

Finally, we continued to refine our package products to improve their competitiveness and introduced some new products in December.

In 2016, we'll bring new products to market, introducing our new cyber coverage by the end of the year and launching BusinessAssure, our business owners, contractors and tradesmen product, in Virginia.

PERSONAL LINES

In 2015, our focus was on bringing new auto and home products to market, offering more choices for customers, and more retention and growth opportunities for agents.



“PinPoint Auto® continues to drive new business, playing a big role in moving us toward responsible, profitable growth.”

JOHN NORTH, PERSONAL LINES PRESIDENT

Ease of Doing Business® gets even easier

In 2015, we made significant enhancements to our quoting platform that make writing new business even easier and faster for agents. We also refined our underwriting processes to ensure we’re delivering the highest service levels to our partners.

In October, we introduced a new homeowners product that offers tailored coverage, built specifically around customers’ individual needs and budget. The response from agents and the market to PinPoint Homeowners® 3, currently available in Indiana and Kentucky, has been extremely positive. Over the next 12-18 months, we’ll release the product to additional states.

One of the key benefits built into the new homeowner product was better alignment with our preferred auto product — PinPoint Auto® 3. The coverages in both products appeal to the same customer base, helping agents deliver more competitive pricing with multi-policy discounts.

PinPoint Auto 3, our newest auto product, is performing well. New features like Original Equipment Manufacturer parts coverage and a 12-month policy option appeal to customers’ changing needs and preferences. Going forward, we’ll continue making incremental updates to the product based on trends in the market, feedback from agents, and feedback obtained through our Voice of the Customer survey.

New policies are up
20%





GRANGE LIFE

In 2015, we continued to focus on offering affordable life insurance products that give consumers more options with benefits that cover every stage of their life.



“Our goal is to provide the same high-quality experience every time we work together.”

Theresa Mason, Grange Life President

Delivering a consistent and reliable experience

In July, we introduced a new Accumulation Universal Life product designed for strong cash accumulation and lifelong protection for customers. In its first six months, the product generated 14% more premium since its launch than our existing Heritage UL product. We also updated our Long Term Care rider, featuring more coverage flexibility.

Our agents consistently share positive feedback about ease of doing business with Grange. In 2015, we continued to advance our technology and processes to make things such as policy issuance and premium payments easier and faster. We also introduced new weekly notifications for agents on open application requirements, which results in faster service for customers and more efficient business for agents.

For the fifth consecutive year, we welcomed more than 100 life insurance agents to our annual Life Summit event, which is designed to help agents learn to write more life insurance and better manage their agencies.

Looking ahead, we'll continue to focus on creating or updating life products that address our customers' most pressing needs. Coverages that take care of burial costs, help replace a lost income, pay off the mortgage, and transfer wealth to leave an inheritance are some of the top reasons why people buy life insurance. In 2016, we'll research these market needs to identify opportunities to offer customers more options and better benefits.

Grange Life reaches

\$10M

in new business premium

SERVICE: DELIVERING A GREAT EXPERIENCE

We're advancing the way we serve our agents and policyholders, especially as their preferences around digital technology and self-service evolve.



“From the way we handle phone calls in our Customer Care Center and claims department, to the experience we deliver on our website, our goal is to deliver a great experience to agents and policyholders at every touch point.”

LINDA ROUBINEK, CHIEF CUSTOMER INTERACTIONS OFFICER

Beyond simply digital

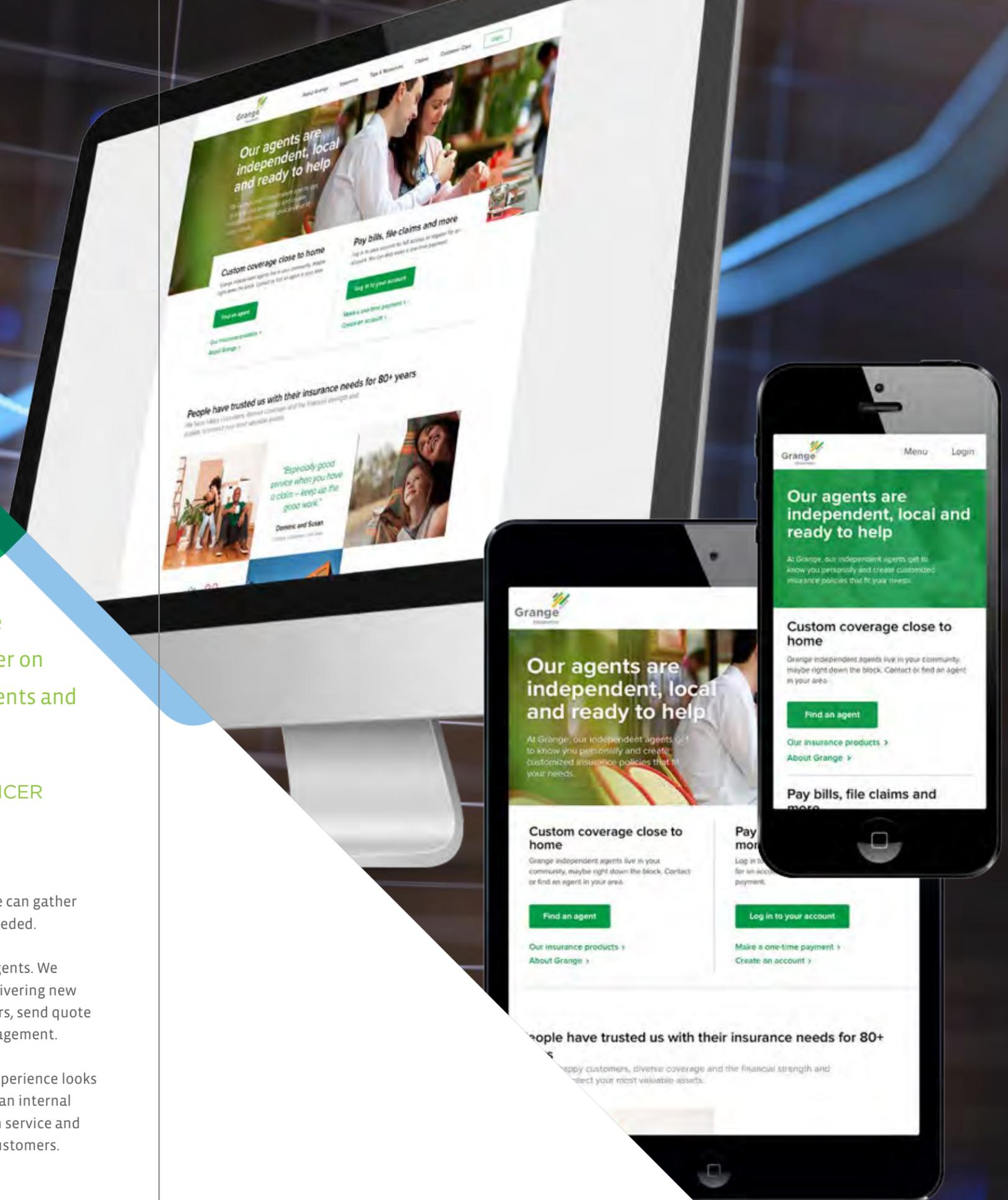
In 2015 we made significant headway in delivering a great online experience with the introduction of our new, mobile-friendly website. The No. 1 reason current policyholders visit our site is to pay their bill, making it imperative that we continue to advance the site's self-service features. The new website also features new educational articles, videos and other content to help policyholders maximize their coverage and better understand the claims process.

The Customer Interactions team is asking for more feedback than ever before, and the new website is just one example of how Grange takes action on that feedback. Through surveys and focus groups, we're using technology to help analyze

agent and policyholder feedback faster so we can gather meaningful insights and take action when needed.

We also delivered more digital tools to our agents. We enhanced sales support for our agents by delivering new digital tools to help them market to customers, send quote and welcome emails, and amplify online engagement.

In 2016, we'll better define what a superior experience looks like across all our service channels, giving us an internal compass that'll deliver greater consistency in service and guide the way we interact with agents and customers.



“At the end of the day, it’s the experience we deliver in claims that leaves a lasting impression and builds trust with policyholders and agents.”

LINDA ROUBINEK,
CHIEF CUSTOMER INTERACTIONS OFFICER



“When it comes to claims, there is good and there is Grange.”

TRAVIS SHRUM, SHRUM INSURANCE SERVICES



“I have never written a customer testimonial like this before but felt it was necessary due to the A+ service I received. Grange has been nothing but a pleasure to work with.”

TAYLOR GRANATH,
SMYRNA, GA

Being there when it matters most

Our local claims service, especially during catastrophic events, is second to none. And in 2015, we continued to serve our customers and help them recover during the times when it matters most.

We made improvements to our claims handling in 2015 by reorganizing and training our claims associates to be more specialized in either personal or commercial insurance products. With focused expertise, claims representatives can deliver higher quality and more efficient service to customers.

Many times it’s improvements behind the scenes that can have a significant impact on the claims experience.

We implemented a new predictive analytics tool, for example, that helps us combat claims fraud. Our claims recovery unit helped recoup more than \$26 million, which ultimately protects our policyholders.

At the end of the day, it’s the experience we deliver in claims that leaves a lasting impression and builds trust with policyholders and agents. That’s why in 2016, we’re starting to modernize the technology and processes we rely on to deliver an efficient, seamless experience for customers and more visibility and reporting for agents.

PEOPLE: SERVING OUR COMMUNITIES

We're committed to serving the communities where we work and live.

Grange's multi-faceted community relations program includes financial support, volunteerism and in-kind donations. We're proud to lend a hand to organizations that transform lives, provide comfort and enrich the community.



\$90,000+

IN CHARITABLE PRINTING SERVICES FOR DOZENS OF NON-PROFITS



50%

OF GRANGE OFFICERS SERVED ON NON-PROFIT BOARDS IN 2015



2,400+

HOURS VOLUNTEERED BY OUR ASSOCIATES

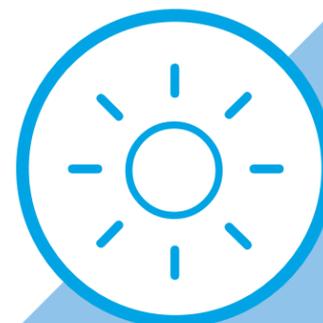


\$1,000,000

IN NON-PROFIT DONATIONS



2015 Grange United Way Committee



2015 philanthropic awards

- LifeCare Alliance - Employee Volunteerism Award
- St. Vincent Family Center - Community Partner Award
- United Way of Central Ohio - Live United 365 Award
- American Red Cross - Life Sharing Challenge Award, 1st Place Insurance



“Diversity and inclusion encompasses all the ways that we are different as human beings, not just race and gender. Having diversity in thought, experiences and perspectives are equally as important.”

PRISCILLA HAMMONDS, DIVERSITY & INCLUSION LEADER

Investing in our associates

We know the power of our company ultimately comes from our associates. Investing in them is an investment in our success, our agents’ success and the service we deliver to policyholders.

Grange believes strongly in partnering with associates to help them build their careers. Leadership development programs, like Emerging Leaders and LeaderView, help us build and retain high-potential talent. Participation grows each year and, in 2015, 44 associates took part in one of these programs.

Recruiting new talent is especially important to Grange’s future, and to the future of the insurance industry. In 2015, we expanded our associate resource groups geared toward women and young professionals.

And, we welcomed 30 interns into the 2015 program, which gives young professionals the opportunity to collaborate and present on a corporate project over a 10-week period.

Having a workforce that represents multiple generations is important, but only one piece of the puzzle. In early 2015, we hired a new Diversity & Inclusion Leader, Priscilla Hammonds, to help us create and support a more diverse and inclusive associate and agent base for the good of Grange, its agents and customers.



2015 Grange Young Professionals



2015 Grange Intern Outing

BOARD OF DIRECTORS



Front row (from left to right):

David C. Wetmore, Chairman of the Board • John Ammendola, President & CEO

Back row:

Robert E. Hoyt • Mark L. Boxer • M. Marnette Perry • Douglas P. Buth • J. Paul McCaffrey • Glenn E. Corlett
Melvin G. Pye, Jr. • Thomas S. Stewart

Not pictured: Christianna Wood

LEADERSHIP TEAM



JOHN AMMENDOLA,
PRESIDENT & CEO



MICHELLE BENZ,
CHIEF SALES, MARKETING
& STRATEGY OFFICER



LAVAWN COLEMAN,
SECRETARY & GENERAL COUNSEL



DOREEN DELANEY CRAWLEY,
CHIEF OPERATIONS OFFICER



TIM CUNNINGHAM,
CHIEF INFORMATION OFFICER



CHERYL LEBENS,
VP CHIEF STRATEGY OFFICER



TRACY JAMES,
VP, ORGANIZATIONAL EFFECTIVENESS
AND DIVERSITY & INCLUSION



THERESA MASON,
PRESIDENT OF GRANGE LIFE



PAUL MCCAFFREY,
CHIEF FINANCIAL OFFICER



JOHN NORTH,
PRESIDENT OF PERSONAL LINES



LINDA ROUBINEK,
CHIEF CUSTOMER INTERACTIONS
OFFICER



JILL WAGNER,
PRESIDENT OF INTEGRITY



MIKE WINNER,
PRESIDENT OF COMMERCIAL LINES

AGENT ADVISORY BOARD



Front row (from left to right):

Mike Rice, American Heritage Insurance Group, Cincinnati, OH • Sam Crudo, CIA Financial Group, Shelby Township, MI • Joe Owens, Southern Harvest Insurance Agency, Cordele, GA • Travis Shrum, Shrum Insurance Services, Hendersonville, TN • Pat Lamb, Select Insurance Services Agency, North Royalton, OH • Thomas Crosby, The Insurance Exchange, Oak Forest, IL • Jessica Arnold, Jack Lillie Inc., Hebron, KY • Nelson Hatchett, Hatchett Insurance Agency, Winchester, TN • Greg Trimble, Trimble Insurance Agency, Delaware, OH • Doug Walker, Walker & Associates, Indianapolis, IN • Randy Phelps, HNI Risk Services of Michigan, Grand Rapids, MI

Middle row:

Gerald McMichael, McMichael Insurance Agency Inc., Streetsboro, OH • Steve Fisher, The Fedeli Group, Independence, OH • Keith Gregory, Ohio Insurance & Financial Group, Mason, OH • Jerry Thompson, MVP Insurance, Oakland Park, IL • Mark Wenclewicz, Wenclewicz Insurance, Indianapolis, IN • Jim Hynes, Old National Insurance, Indianapolis, IN • Lisa Dickerson, Dickerson Agency Inc., Kennesaw, GA • Ellen Trabue, Kiely Hines & Associates, Louisville, KY • Rex Templeton, Jr., Morris & Templeton Insurance Agency Inc., Savannah, GA • Tom Skelley, Millers Insurance Agency Inc., Downingtown, PA • John Scharver, Sharver Insurance Group LLC, New Albany, OH • Peter Krause, J Smith Lanier & Company, Johns, Creek, GA

Back row:

Rob Hutzelman, Jr., Kingsgate Financial Insurance Agency, West Chester, OH • Jim Wehar, Andrew F. Rodgers Insurance Agency, Pittsburgh, PA • Steven Shelton, Cleveland Insurance, Cleveland, TN • Tom Davenport, Blue Marsh Insurance, Birdsboro, PA • Denny Zahler, Marshall – Zahler Insurance Group, Fort Mitchell, KY • Jay Harvill, Lipscomb & Pitts Insurance LLC, Memphis, TN • Eric Haudenschild, Haudenschild Insurance Agency Inc., Cleveland, OH

Not Pictured:

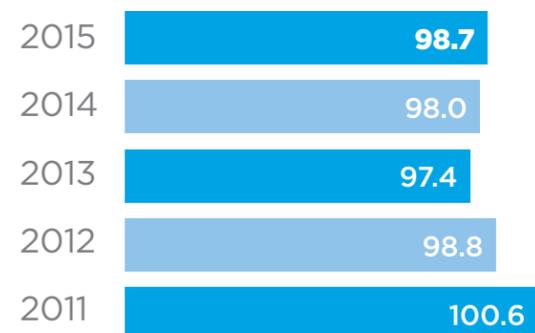
Bruce Ferguson, Jr., The Underwriters Group Inc., Louisville, KY • Drew Monroe, Prosper Insurance, Virginia Beach, VA • Steve McCoy, Slade & Collins Insurance Agency Inc., Lexington, KY

Thank you to our select group of agent partners who collaborate with senior leaders to strengthen all agent relationships. We're truly grateful for your partnership.

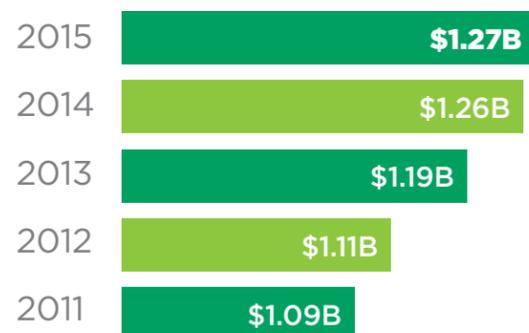
FINANCIAL REPORT

While 2015 was a challenging year in many ways, these results show that our portfolio of insurance products and financial discipline continue to deliver solid results. Our strong financial position provides us with the ability to invest in our business and support the needs of our agents and policyholders into the future.

Net combined operating ratio: 2011-2015



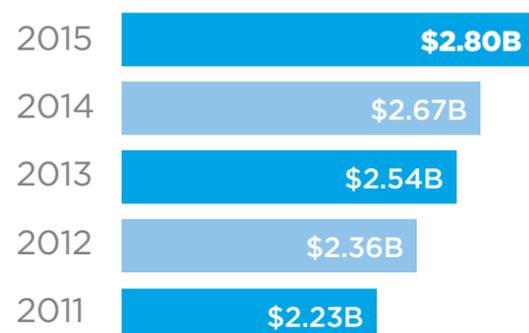
Direct Written Premium: 2011-2015



Combined surplus: 2011-2015



Consolidated Assets: 2011-2015



GRANGE ENTERPRISE P&C FINANCIAL REPORT*

Assets

Cash and Short Term Investments	\$45,062,006
Bonds (at amortized cost)	1,413,822,238
Stocks (at market value)	401,803,815
Real Estate (at cost less accumulated depreciation)	106,930,582
Floating Rate Bank Loans	57,929,249
Other Invested Assets	53,229,553
Securities Lending Reinvested Collateral Assets	39,791,121
Accrued Investment Income	14,024,848
Premiums in Course of Collection	237,940,960
Electronic Data Processing Equipment (at cost less accumulated depreciation)	2,750,118
Federal Income Tax Receivable	12,433,946
Net Deferred Tax Asset	49,223,869
Other Miscellaneous Assets	17,136,176
Total Assets	\$2,452,078,481

Liabilities and Policyholders' Surplus

Unearned Premiums	\$479,738,344
Reserve for Losses	530,474,125
Reserve for Loss Adjustment Expense	143,554,354
General Expenses Payable	49,354,396
Payable for Securities Lending	39,791,121
Other Liabilities	95,460,367
Total Liabilities	1,338,372,707
Policyholders' Surplus	1,113,705,774
Total Liabilities and Policyholders' Surplus	\$2,452,078,481

Statement of Income and Surplus 2015

Premiums Earned	\$1,225,338,352
Losses and Loss Adjustment Expense Incurred	847,198,581
Other Underwriting Expenses Incurred	374,491,527
Net Underwriting Gain	3,648,244
Net Investment Gain	67,753,091
Other Income Less Other Expense	16,630,181
Dividends to Policyholders	(3,298,756)
Income Before Federal Income Taxes	84,732,760
Federal Income Taxes Incurred	9,472,991
Net Income	75,259,769
Other Surplus Changes	(53,809,278)
Change in Policyholders' Surplus	21,450,491
Policyholders' Surplus — January 1	1,092,255,283
Policyholders' Surplus—December 31	\$1,113,705,774

GRANGE LIFE FINANCIAL REPORT*

Assets

Cash and Short Term Investments	\$22,636,303
Bonds (at amortized cost)	292,463,937
Common Stocks (at equity)	9,965,251
Policy Loans	11,049,922
Securities Lending Reinvested Collateral Assets	6,702,589
Accrued Investment Income	2,608,663
Premiums Due and Uncollected	37,748,479
Amounts Due from Reinsurers	4,947,813
Net Deferred Tax Asset	4,721,102
Other Miscellaneous Assets	381,838
Total Assets	\$393,225,897

Liabilities, Capital and Surplus

Policy Reserves	\$300,676,214
Policy Claims Payable	3,527,398
General Expense Payable	4,578,758
Interest Maintenance Reserve	1,075,189
Securities Valuation Reserve	2,693,373
Payable for Securities Lending	6,702,589
Payable to parent, subsidiaries and affiliates	10,573,350
Funds held under coinsurance	17,743,371
Other Liabilities	3,200,580
Total Liabilities	350,770,822
Total Capital and Surplus	42,455,075
Total Liabilities, Capital and Surplus	\$393,225,897

Statement of Income and Capital and Surplus 2015

Premium Income	\$56,690,553
Net Investment Income	13,345,347
Benefits Paid to Policyholders	58,240,314
Operating Expenses	13,052,400
Loss Before Federal Income Taxes	(1,256,814)
Federal Income Taxes Incurred	105,625
Net from Operations after Dividends to Policyholders & Federal Income Taxes	(1,362,439)
Net Realized Capital Loss	(200,558)
Net Loss	(1,562,997)
Other Surplus Changes	(12,112,183)
Net Change in Capital and Surplus	(13,675,180)
Capital and Surplus - January 1	56,130,255
Capital and Surplus - December 31	\$42,455,075

* Balance Sheet — December 31, 2015

PROUD TO BE A TOP WORKPLACE
IN CENTRAL OHIO 3 YEARS RUNNING.





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Corporate Headquarters**

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