



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE
GRANGE INDEMNITY INSURANCE COMPANY

NAIC Group Code 0267 (Current Period) 0267 (Prior Period) NAIC Company Code 10322 Employer's ID Number 31-1432675
Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio
Country of Domicile United States of America
Incorporated 03/10/1995 Commenced Business 08/03/1995
Statutory Home Office 650 South Front Street (Street and Number), Columbus, OH 43206-1014 (City or Town, State and Zip Code)
Main Administrative Office 650 South Front Street (Street and Number), Columbus, OH 43206-1014 (City or Town, State and Zip Code) 614-445-2900 (Area Code) (Telephone Number)
Mail Address 650 South Front Street, P.O. Box 1218 (Street and Number or P.O. Box), Columbus, OH 43216-1218 (City or Town, State and Zip Code)
Primary Location of Books and Records 650 South Front Street (Street and Number), Columbus, OH 43206-1014 (City or Town, State and Zip Code) 614-445-2497 (Area Code) (Telephone Number)
Internet Website Address www.grangeinsurance.com
Statement Contact Jeffrey Earl Dye (Name), 614-445-2497 (Area Code) (Telephone Number) (Extension) 614-445-2404 (Fax Number), dyej@grangeinsurance.com (E-mail Address)
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OFFICERS

PRESIDENT PHILIP HUGH URBAN SECRETARY DAVID TRUFANT ROARK
TREASURER RANDALL JOSEPH MONTELEONE

VICE PRESIDENTS

WALTER LOREN NEFF LYLE DEAN RHODEBECK #

DIRECTORS OR TRUSTEES

EDWIN LOWELL BILLMAN ANTHONY ALFONSO COLAO JR RANDALL JOSEPH MONTELEONE
ROBERT JOHN O'BRIEN MICHAEL VERNE PARROTT MELVIN GEORGE PYE JR
JAMES LAWRENCE SETTERLIN THOMAS SIMRALL STEWART PHILIP WAYNE STICHTER
PHILIP HUGH URBAN DAVID CHARLES WETMORE

State of Ohio }
County of Franklin } ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

PHILIP HUGH URBAN PRESIDENT DAVID TRUFANT ROARK SECRETARY RANDALL JOSEPH MONTELEONE TREASURER

Subscribed and sworn to before me this 21st day of February, 2003

- a. Is this an original filing? Yes [ X ] No [ ]
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

Colleen R. Miesse
Notary Public
October 19th, 2004

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds .....	22,936,138		22,936,138	21,447,739
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1) .....	0		0	0
2.2 Common stocks (Schedule D, Part 2, Section 2) .....	0		0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....286,623 Schedule E, Part 1) and short-term investments(\$ .....0 Schedule DA, Part 2) .....	286,623		286,623	706,104
6. Other invested assets (Schedule BA) .....	0		0	0
7. Receivable for securities .....			0	0
8. Aggregate write-ins for invested assets .....	0	0	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8) .....	23,222,761	0	23,222,761	22,153,843
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection .....	2,983,574	18,671	2,964,903	2,401,872
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (Including \$ ..... earned but unbilled premiums) .....	334,001	1,585	332,416	13,411
10.3 Accrued retrospective premiums .....			0	0
11. Funds held by or deposited with reinsured companies .....			0	0
12. Bills receivable, taken for premiums .....			0	0
13. Amounts receivable under high deductible policies .....			0	0
14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 7 and 8) .....			0	0
15. Federal and foreign income tax recoverable and interest thereon (including \$ .....560,200 net deferred tax asset) .....	685,133	124,933	560,200	439,082
16. Guaranty funds receivable or on deposit .....			0	0
17. Electronic data processing equipment and software .....			0	0
18. Interest, dividends and real estate income due and accrued .....	371,616		371,616	381,347
19. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
20. Receivable from parent, subsidiaries and affiliates .....	5,099,672		5,099,672	1,912,590
21. Amount due from/to protected cells .....			0	0
22. Equities and deposits in pools and associations .....	5,641		5,641	4,290
23. Amounts receivable relating to uninsured accident and health plans .....			0	0
24. Other assets nonadmitted (Exhibit 1) .....			0	0
25. Aggregate write-ins for other than invested assets .....	0	0	0	0
26. Total assets excluding protected cell assets (Lines 9 through 25) .....	32,702,398	145,189	32,557,209	27,306,435
27. Protected cell assets .....			0	0
28. TOTALS (Lines 26 and 27)	32,702,398	145,189	32,557,209	27,306,435
<b>DETAILS OF WRITE-INS</b>				
0801. ....				
0802. ....				
0803. ....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above) .....	0	0	0	0
2501. ....				
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above) .....	0	0	0	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8) .....	6,429,349	5,368,096
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6) .....	0	0
3. Loss adjustment expenses (Part 2A, Line 34, Column 9) .....	1,601,739	1,381,380
4. Commissions payable, contingent commissions and other similar charges .....	161,979	113,234
5. Other expenses (excluding taxes, licenses and fees) .....	369,184	295,124
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	262,878	210,108
7. Federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) (including \$ ..... net deferred tax liability) .....	1,278,635	1,216,174
8. Borrowed money \$ ..... and interest thereon \$ .....	0	0
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ .....14,288,811 and including warranty reserves of \$ .....)	6,294,613	4,817,012
10. Advance premiums .....		
11. Dividends declared and unpaid:		
11.1 Stockholders .....	0	0
11.2 Policyholders .....	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	112,664	0
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....	0	0
14. Amounts withheld or retained by company for account of others .....	0	0
15. Remittances and items not allocated .....	0	0
16. Provision for reinsurance (Schedule F, Part 7) .....	0	0
17. Net adjustments in assets and liabilities due to foreign exchange rates .....	0	0
18. Drafts outstanding .....	0	0
19. Payable to parent, subsidiaries and affiliates .....	0	0
20. Payable for securities .....	0	0
21. Liability for amounts held under uninsured accident and health plans .....	0	0
22. Capital Notes \$ ..... and interest thereon \$ .....	0	0
23. Aggregate write-ins for liabilities .....	0	0
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) .....	16,511,041	13,401,128
25. Protected cell liabilities .....		
26. Total liabilities (Lines 24 and 25) .....	16,511,041	13,401,128
27. Aggregate write-ins for special surplus funds .....	0	0
28. Common capital stock .....	2,000,000	2,000,000
29. Preferred capital stock .....	0	0
30. Aggregate write-ins for other than special surplus funds .....	0	0
31. Surplus notes .....	0	0
32. Gross paid in and contributed surplus .....	5,000,000	5,000,000
33. Unassigned funds (surplus) .....	9,046,168	6,905,307
34. Less treasury stock, at cost:		
34.1 ..... shares common (value included in Line 28 \$ .....)	0	0
34.2 ..... shares preferred (value included in Line 29 \$ .....)	0	0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38) .....	16,046,168	13,905,307
36. TOTALS (Page 2, Line 28, Col. 3)	32,557,209	27,306,435
<b>DETAILS OF WRITE-INS</b>		
2301. ....		
2302. ....		
2303. ....		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	0	0
2701. ....		
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page .....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	0
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page .....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	0	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4) .....	16,303,076	13,075,920
<b>DEDUCTIONS</b>		
2. Losses incurred (Part 2, Line 34, Column 7) .....	10,358,433	8,425,027
3. Loss expenses incurred (Part 3, Line 25, Column 1) .....	1,651,477	1,380,138
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....	4,951,627	3,996,260
5. Aggregate write-ins for underwriting deductions .....	0	0
6. Total underwriting deductions (Lines 2 through 5) .....	16,961,537	13,801,425
7. Net income of protected cells .....		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7) .....	(658,461)	(725,505)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	1,321,374	1,317,651
10. Net realized capital gains or (losses) (Exhibit of Capital Gains (Losses)) .....	(396,050)	122,995
11. Net investment gain or (loss) (Lines 9 + 10) .....	925,324	1,440,646
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ .....1,439 amount charged off \$ .....114,820 ) .....	(113,381)	(94,462)
13. Finance and service charges not included in premiums .....	2,931,792	2,474,143
14. Aggregate write-ins for miscellaneous income .....	250,566	251,235
15. Total other income (Lines 12 through 14) .....	3,068,977	2,630,916
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15) .....	3,335,840	3,346,057
17. Dividends to policyholders .....	37,067	0
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17) .....	3,298,773	3,346,057
19. Federal and foreign income taxes incurred .....	1,278,635	1,216,174
20. Net income (Line 18 minus Line 19) (to Line 22) .....	2,020,138	2,129,883
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2) .....	13,905,307	10,868,644
<b>GAINS AND (LOSSES) IN SURPLUS</b>		
22. Net income (from Line 20) .....	2,020,138	2,129,883
23. Net unrealized capital gains or (losses) .....	0	0
24. Change in net unrealized foreign exchange capital gain (loss) .....	0	0
25. Change in net deferred income tax .....	140,514	544,619
26. Change in nonadmitted assets (Exhibit 1, Line 5, Col. 3) .....	(19,791)	(125,342)
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....	0	0
28. Change in surplus notes .....	0	0
29. Surplus (contributed to) withdrawn from protected cells .....		
30. Cumulative effect of changes in accounting principles .....		0
31. Capital changes:		
31.1. Paid in .....		500,000
31.2. Transferred from surplus (Stock Dividend) .....		0
31.3. Transferred to surplus .....		0
32. Surplus adjustments:		
32.1. Paid in .....		(500,000)
32.2. Transferred to capital (Stock Dividend) .....		0
32.3. Transferred from capital .....		0
33. Net remittances from or (to) Home Office .....		0
34. Dividends to stockholders (cash) .....		0
35. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1) .....	0	0
36. Aggregate write-ins for gains and losses in surplus .....	0	487,503
37. Change in surplus as regards policyholders for the year (Lines 22 through 36) .....	2,140,861	3,036,663
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35) .....	16,046,168	13,905,307
<b>DETAILS OF WRITE-INS</b>		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	0	0
1401. Miscellaneous Income.....	250,566	251,235
1402. ....		
1403. ....		
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above) .....	250,566	251,235
3601. Recognition of anticipated salvage and subrogation.....		487,503
3602. ....		
3603. ....		
3698. Summary of remaining write-ins for Line 36 from overflow page .....	0	0
3699. Totals (Lines 3601 thru 3603 plus 3698) (Line 36 above) .....	0	487,503

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY**

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	17,010,910	13,290,729
2. Loss and loss adjustment expenses paid (net of salvage and subrogation) .....	10,728,300	9,870,611
3. Underwriting expenses paid .....	4,777,930	3,877,580
4. Other underwriting income (expenses) .....	0	0
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	1,504,680	(457,462)
6. Net investment income .....	1,328,793	1,263,631
7. Other income (expenses):		
7.1 Agents' balances charged off .....	(113,381)	(94,462)
7.2 Net funds held under reinsurance treaties .....	0	0
7.3 Net amount withheld or retained for account of others .....	0	0
7.4 Aggregate write-ins for miscellaneous items .....	3,181,003	3,212,017
7.5 Total other income (Lines 7.1 to 7.4) .....	3,067,622	3,117,555
8. Dividends to policyholders on direct business, less \$ ..... dividends on reinsurance assumed or ceded (net) .....	37,067	0
9. Federal and foreign income taxes (paid) recovered .....	(1,216,174)	(638,697)
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9) .....	4,647,854	3,285,027
<b>Cash from Investments</b>		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds .....	3,010,630	4,654,549
11.2 Stocks .....	0	0
11.3 Mortgage loans .....	0	0
11.4 Real estate .....	0	0
11.5 Other invested assets .....	0	0
11.6 Net gains or (losses) on cash and short-term investments .....	0	0
11.7 Miscellaneous proceeds .....	0	0
11.8 Total investment proceeds (Lines 11.1 to 11.7) .....	3,010,630	4,654,549
12. Cost of investments acquired (long-term only):		
12.1 Bonds .....	4,890,885	8,090,384
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Miscellaneous applications .....	0	0
12.7 Total investments acquired (Lines 12.1 to 12.6) .....	4,890,885	8,090,384
13. Net Cash from investments (Line 11.8 minus Line 12.7) .....	(1,880,255)	(3,435,835)
<b>Cash from Financing and Miscellaneous Sources</b>		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in .....	0	0
14.2 Capital notes \$ ..... less amounts repaid \$ .....	0	0
14.3 Net transfers from affiliates .....	0	87,686
14.4 Borrowed funds received .....	0	0
14.5 Other cash provided .....	0	7,814
14.6 Total (Lines 14.1 to 14.5) .....	0	95,500
15. Cash applied:		
15.1 Dividends to stockholders paid .....	0	0
15.2 Net transfers to affiliates .....	3,187,082	0
15.3 Borrowed funds repaid .....	0	0
15.4 Other applications .....	0	0
15.5 Total (Lines 15.1 to 15.4) .....	3,187,082	0
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5) .....	(3,187,082)	95,500
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
17. Net change in cash and short-term investments (Line 10, plus Line 13, plus Line 16) .....	(419,483)	(55,308)
18. Cash and short-term investments:		
18.1 Beginning of year .....	706,106	761,414
18.2 End of year (Line 17 plus Line 18.1) .....	286,623	706,106
<b>DETAILS OF WRITE-INS</b>		
07.401 Miscellaneous Income .....	3,181,003	2,724,512
07.402 Recognition of anticipated salvage and subrogation .....		487,505
07.403 .....		
07.498 Summary of remaining write-ins for Line 7.4 from overflow page .....	0	0
07.499 Totals (Lines 07.401 thru 07.403 plus 07.498) (Line 7.4 above) .....	3,181,003	3,212,017

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Lines of Business		1	2	3	4
		Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 2	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire .....	372,492	156,825	190,869	338,448
2.	Allied lines .....	203,886	78,009	103,660	178,235
3.	Farmowners multiple peril .....	374,533	174,884	191,965	357,452
4.	Homeowners multiple peril .....	2,801,999	1,150,404	1,511,152	2,441,251
5.	Commercial multiple peril .....	675,462	142,553	292,691	525,324
6.	Mortgage guaranty .....	0	0	0	0
8.	Ocean marine .....	0	0	0	0
9.	Inland marine .....	306,498	119,067	145,674	279,891
10.	Financial guaranty .....	0	0	0	0
11.1	Medical malpractice - occurrence .....	0	0	0	0
11.2	Medical malpractice - claims-made .....	0	0	0	0
12.	Earthquake .....	38,151	38,945	44,106	32,990
13.	Group accident and health .....	13,829	0	0	13,829
14.	Credit accident and health (group and individual) .....	0	0	0	0
15.	Other accident and health .....	77	0	0	77
16.	Workers' compensation .....	526,525	32,923	197,621	361,827
17.1	Other liability - occurrence .....	518,198	187,627	244,224	461,601
17.2	Other liability - claims-made .....	15,190	5,856	7,134	13,912
18.1	Products liability - occurrence .....	60,860	20,678	29,774	51,764
18.2	Products liability - claims-made .....	0	0	0	0
19.1,19.2	Private passenger auto liability .....	6,116,350	1,284,691	1,578,207	5,822,834
19.3,19.4	Commercial auto liability .....	895,001	332,411	417,313	810,099
21.	Auto physical damage .....	4,852,433	1,088,697	1,336,534	4,604,596
22.	Aircraft (all perils) .....	0	0	0	0
23.	Fidelity .....	0	1	0	1
24.	Surety .....	0	0	0	0
26.	Burglary and theft .....	9,193	3,421	3,689	8,925
27.	Boiler and machinery .....	0	20	0	20
28.	Credit .....	0	0	0	0
29.	International .....	0	0	0	0
30.	Reinsurance - Nonproportional Assumed Property .....	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Liability .....	0	0	0	0
32.	Reinsurance - Nonproportional Assumed Financial Lines .....	0	0	0	0
33.	Aggregate write-ins for other lines of business .....	0	0	0	0
34.	<b>TOTALS</b>	<b>17,780,677</b>	<b>4,817,012</b>	<b>6,294,613</b>	<b>16,303,076</b>
<b>DETAILS OF WRITE-INS</b>					
3301.	.....				
3302.	.....				
3303.	.....				
3398.	Summary of remaining write-ins for Line 33 from overflow page .....	0	0	0	0
3399.	Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience, viz:

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols: 1 + 2 + 3 + 4
1. Fire .....	190,869				190,869
2. Allied lines .....	103,660				103,660
3. Farmowners multiple peril .....	191,965				191,965
4. Homeowners multiple peril .....	1,511,152				1,511,152
5. Commercial multiple peril .....	292,691				292,691
6. Mortgage guaranty .....					0
8. Ocean marine .....					0
9. Inland marine .....	145,674				145,674
10. Financial guaranty .....					0
11.1 Medical malpractice - occurrence .....					0
11.2 Medical malpractice - claims-made .....					0
12. Earthquake .....	44,106				44,106
13. Group accident and health .....					0
14. Credit accident and health (group and individual) .....					0
15. Other accident and health .....					0
16. Workers' compensation .....	197,621				197,621
17.1 Other liability - occurrence .....	244,224				244,224
17.2 Other liability - claims-made .....	7,134				7,134
18.1 Products liability - occurrence .....	29,774				29,774
18.2 Products liability - claims-made .....					0
19.1,19.2 Private passenger auto liability .....	1,578,207				1,578,207
19.3,19.4 Commercial auto liability .....	417,313				417,313
21. Auto physical damage .....	1,336,534				1,336,534
22. Aircraft (all perils) .....					0
23. Fidelity .....					0
24. Surety .....					0
26. Burglary and theft .....	3,689				3,689
27. Boiler and machinery .....					0
28. Credit .....					0
29. International .....					0
30. Reinsurance - Nonproportional Assumed Property ..					0
31. Reinsurance - Nonproportional Assumed Liability ..					0
32. Reinsurance - Nonproportional Assumed Financial Lines .....					0
33. Aggregate write-ins for other lines of business .....	0	0	0	0	0
34. TOTALS	6,294,613	0	0	0	6,294,613
35. Accrued retrospective premiums based on experience .....					
36. Earned but unbilled premiums .....					
37. Balance (Sum of Line 34 through 36)					6,294,613
<b>DETAILS OF WRITE-INS</b>					
3301. ....					
3302. ....					
3303. ....					
3398. Summary of remaining write-ins for Line 33 from overflow page .....	0	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0

(a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.

Are they so returned in this statement? Yes [ X ] No [ ]

(b) State here basis of computation used in each case . Daily Pro Rata.....

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees Written and Renewed During Year

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire		372,492				372,492
2. Allied lines		203,886				203,886
3. Farmowners multiple peril		374,533				374,533
4. Homeowners multiple peril		2,801,999				2,801,999
5. Commercial multiple peril		675,462				675,462
6. Mortgage guaranty						0
8. Ocean marine						0
9. Inland marine		306,498				306,498
10. Financial guaranty						0
11.1 Medical malpractice - occurrence						0
11.2 Medical malpractice - claims-made						0
12. Earthquake		38,151				38,151
13. Group accident and health		13,829				13,829
14. Credit accident and health (group and individual)						0
15. Other accident and health		77				77
16. Workers' compensation		526,525				526,525
17.1 Other liability - occurrence		518,198				518,198
17.2 Other liability - claims-made		15,190				15,190
18.1 Products liability - occurrence		60,860				60,860
18.2 Products liability - claims-made						0
19.1,19.2 Private passenger auto liability	37,010,427	6,116,350		36,922,602	87,825	6,116,350
19.3,19.4 Commercial auto liability		895,001				895,001
21. Auto physical damage	18,826,051	4,852,433		18,741,213	84,838	4,852,433
22. Aircraft (all perils)						0
23. Fidelity						0
24. Surety						0
26. Burglary and theft		9,193				9,193
27. Boiler and machinery						0
28. Credit						0
29. International						0
30. Reinsurance - Nonproportional Assumed Property	XXX					0
31. Reinsurance - Nonproportional Assumed Liability	XXX					0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX					0
33. Aggregate write-ins for other lines of business	0	0	0	0	0	0
34. TOTALS	55,836,478	17,780,677	0	55,663,815	172,663	17,780,677
<b>DETAILS OF WRITE-INS</b>						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [ X ]

If yes: 1. The amount of such installment premiums \$ 0

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$ 0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Previous Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire		182,931		182,931	49,789	51,552	181,168	53.5
2. Allied lines		173,764		173,764	44,122	24,372	193,514	108.6
3. Farmowners multiple peril		288,552		288,552	102,387	65,836	325,103	91.0
4. Homeowners multiple peril		1,844,371		1,844,371	550,336	450,521	1,944,186	79.6
5. Commercial multiple peril		201,172		201,172	269,955	85,813	385,314	73.3
6. Mortgage guaranty				.0		.0	.0	0.0
8. Ocean marine		.5		.5	16	29	(8)	0.0
9. Inland marine		111,000		111,000	24,740	29,045	106,695	38.1
10. Financial guaranty				.0		.0	.0	0.0
11.1 Medical malpractice - occurrence		989		989	1,152	771	1,370	0.0
11.2 Medical malpractice - claims-made				.0		.0	.0	0.0
12. Earthquake		.5		.5	5,225	4,527	703	2.1
13. Group accident and health		18,841		18,841	6,545	6,524	18,862	136.4
14. Credit accident and health (group and individual)				.0		.0	.0	0.0
15. Other accident and health				.0		.0	.0	0.0
16. Workers' compensation		46,347		46,347	218,212	63,738	200,821	55.5
17.1 Other liability - occurrence		157,758		157,758	446,875	430,358	174,275	37.8
17.2 Other liability - claims-made		2,514		2,514	11,355	7,618	6,251	44.9
18.1 Products liability - occurrence		1,661		1,661	17,215	20,260	(1,384)	(2.7)
18.2 Products liability - claims-made				.0		.0	.0	0.0
19.1,19.2 Private passenger auto liability	19,626,762	3,100,870	19,626,762	3,100,870	3,817,916	3,367,700	3,551,086	61.0
19.3,19.4 Commercial auto liability		335,361		335,361	768,616	719,005	384,972	47.5
21. Auto physical damage	11,851,993	2,830,322	11,851,993	2,830,322	92,286	39,150	2,883,458	62.6
22. Aircraft (all perils)		.3		.3	18	.6	15	0.0
23. Fidelity				.0	67	73	(6)	(600.0)
24. Surety		(6)		(6)	703	199	498	0.0
26. Burglary and theft		720		720	1,819	969	1,570	17.6
27. Boiler and machinery				.0		30	(30)	(150.0)
28. Credit				.0		.0	.0	0.0
29. International				.0		.0	.0	0.0
30. Reinsurance - Nonproportional Assumed Property	XXX			.0		.0	.0	0.0
31. Reinsurance - Nonproportional Assumed Liability	XXX			.0		.0	.0	0.0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX			.0		.0	.0	0.0
33. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	0.0
34. TOTALS	31,478,755	9,297,180	31,478,755	9,297,180	6,429,349	5,368,096	10,358,433	63.5
<b>DETAILS OF WRITE-INS</b>								
3301.								
3302.								
3303.								
3398. Summary of remaining write-ins for Line 33 from overflow page	.0	.0	.0	.0	.0	.0	.0	0.0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0	0	0.0

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**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		34,717		34,717		15,072		49,789	24,008
2. Allied lines		27,586		27,586		16,536		44,122	7,716
3. Farmowners multiple peril		52,835		52,835		49,552		102,387	18,983
4. Homeowners multiple peril		296,445		296,445		253,891		550,336	131,462
5. Commercial multiple peril		126,421		126,421		143,534		269,955	87,224
6. Mortgage guaranty				0				0	
8. Ocean marine		16		16				16	
9. Inland marine		13,931		13,931		10,809		24,740	3,816
10. Financial guaranty				0				0	
11.1 Medical malpractice - occurrence		1,152		1,152				1,152	
11.2 Medical malpractice - claims-made				0				0	
12. Earthquake				0		5,225		5,225	1,180
13. Group accident and health		6,545		6,545			(a)	6,545	561
14. Credit accident and health (group and individual)				0				0	
15. Other accident and health				0			(a)	0	
16. Workers' compensation		111,463		111,463		106,749		218,212	31,352
17.1 Other liability - occurrence		213,180		213,180		233,695		446,875	204,300
17.2 Other liability - claims-made		6,739		6,739		4,616		11,355	4,819
18.1 Products liability - occurrence		2,367		2,367		14,848		17,215	12,498
18.2 Products liability - claims-made				0				0	
19.1,19.2 Private passenger auto liability	14,307,150	3,195,478	14,307,150	3,195,478	4,111,568	622,438	4,111,568	3,817,916	859,630
19.3,19.4 Commercial auto liability		519,083		519,083		249,533		768,616	159,873
21. Auto physical damage	(89,532)	(44,392)	(89,532)	(44,392)	373,377	136,678	373,377	92,286	54,127
22. Aircraft (all perils)		18		18				18	
23. Fidelity		67		67				67	
24. Surety		703		703				703	
26. Burglary and theft		(12)		(12)		1,831		1,819	190
27. Boiler and machinery		(1,481)		(1,481)		1,481		0	
28. Credit				0				0	
29. International				0				0	
30. Reinsurance - Nonproportional Assumed Property	XXX			0	XXX			0	
31. Reinsurance - Nonproportional Assumed Liability	XXX			0	XXX			0	
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX			0	XXX			0	
33. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0
34. TOTALS	14,217,618	4,562,861	14,217,618	4,562,861	4,484,945	1,866,488	4,484,945	6,429,349	1,601,739
<b>DETAILS OF WRITE-INS</b>									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0	0	0	0

(a) Including \$ 0 for present value of life indemnity claims.

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct .....	1,168,223			1,168,223
1.2 Reinsurance assumed .....	473,727			473,727
1.3 Reinsurance ceded .....	1,168,223			1,168,223
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3) .....	473,727	0	0	473,727
2. Commission and brokerage:				
2.1 Direct excluding contingent .....		8,236,341		8,236,341
2.2 Reinsurance assumed excluding contingent .....		2,788,239		2,788,239
2.3 Reinsurance ceded excluding contingent .....		8,236,341		8,236,341
2.4 Contingent-direct .....		269,112		269,112
2.5 Contingent-reinsurance assumed .....		137,712		137,712
2.6 Contingent-reinsurance ceded .....		269,112		269,112
2.7 Policy and membership fees .....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....	0	2,925,951	0	2,925,951
3. Allowances to managers and agents .....	0	11,540	0	11,540
4. Advertising .....	96	77,803	2	77,901
5. Boards, bureaus and associations .....	6,009	24,180	927	31,116
6. Surveys and underwriting reports .....	0	153,834	0	153,834
7. Audit of assureds' records .....	0	4,582	0	4,582
8. Salary and related items:				
8.1 Salaries .....	596,346	671,713	66,723	1,334,782
8.2 Payroll taxes .....	41,433	50,935	2,629	94,997
9. Employee relations and welfare .....	145,158	185,326	7,245	337,729
10. Insurance .....	12,394	14,499	576	27,469
11. Directors' fees .....	5,135	7,276	257	12,668
12. Travel and travel items .....	37,113	36,585	1,398	75,096
13. Rent and rent items .....	57,033	65,031	4,783	126,847
14. Equipment .....	33,885	54,267	10,040	98,192
15. Cost or depreciation of EDP equipment and software .....	16,882	14,870	0	31,752
16. Printing and stationery .....	9,980	25,680	1,386	37,046
17. Postage, telephone and telegraph, exchange and express .....	49,743	136,034	9,975	195,752
18. Legal and auditing .....	2,606	9,716	719	13,041
19. Totals (Lines 3 to 18) .....	1,013,813	1,543,871	106,660	2,664,344
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ .....	0	336,728		336,728
20.2 Insurance department licenses and fees .....		14,662		14,662
20.3 Gross guaranty association assessments .....		6,067		6,067
20.4 All other (excluding federal and foreign income and real estate) .....		2,251		2,251
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....	0	359,708	0	359,708
21. Real estate expenses .....				0
22. Real estate taxes .....				0
23. Reimbursements by uninsured accident and health plans .....				0
24. Aggregate write-ins for miscellaneous expenses .....	163,937	122,097	27,203	313,237
25. Total expenses incurred .....	1,651,477	4,951,627	133,863	(a) 6,736,967
26. Less unpaid expenses - current year .....	1,601,739	750,222	43,818	2,395,779
27. Add unpaid expenses - prior year .....	1,381,382	576,525	41,936	1,999,843
28. Amounts receivable relating to uninsured accident and health plans, prior year .....	0	0	0	0
29. Amounts receivable relating to uninsured accident and health plans, current year .....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,431,120	4,777,930	131,981	6,341,031
<b>DETAILS OF WRITE-INS</b>				
2401. Software Expense.....	64,848	53,659	2,119	120,626
2402. Miscellaneous Expenses.....	90,054	49,704	23,636	163,394
2403. Donations.....	3,988	13,421	853	18,262
2498. Summary of remaining write-ins for Line 24 from overflow page .....	5,047	5,313	595	10,955
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)	163,937	122,097	27,203	313,237

(a) Includes management fees of \$ 2,977,581 paid to affiliates and \$ 0 paid to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 214,789	217,902
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 1,236,337	1,223,491
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash/short-term investments	(e) 11,337	11,337
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	2,507	2,507
10. Total gross investment income	1,464,970	1,455,237
11. Investment expenses		(g) 133,863
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		133,863
17. Net Investment Income - (Line 10 minus Line 16)		1,321,374
<b>DETAILS OF WRITE-INS</b>		
0901. Securities Lending Income	2,507	2,507
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	2,507	2,507
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 28,658 accrual of discount less \$ 24,462 amortization of premium and less \$ paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1. U.S. Government bonds					0
1.1 Bonds exempt from U.S. tax					0
1.2 Other bonds (unaffiliated)	52,496	(448,546)			(396,050)
1.3 Bonds of affiliates					0
2.1 Preferred stocks (unaffiliated)					0
2.11 Preferred stocks of affiliates					0
2.2 Common stocks (unaffiliated)					0
2.21 Common stocks of affiliates					0
3. Mortgage loans					0
4. Real estate					0
5. Contract loans					0
6. Cash/Short-term investments					0
7. Derivative instruments					0
8. Other invested assets					0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	52,496	(448,546)	0	0	(396,050)
<b>DETAILS OF WRITE-INS</b>					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) Decrease
1. Summary of Items Page 2, Lines 10 to 17 and 19 to 23, Column 2 .....	145,189	125,398	(19,791)
2. Other Nonadmitted Assets:			
2.1 Bills receivable .....		0	0
2.2 Furniture, equipment and supplies .....		0	0
2.3 Leasehold improvements .....		0	0
2.4 Loans on personal security, endorsed or not .....		0	0
3. Total (Lines 2.1 to 2.4) .....	0	0	0
4. Aggregate write-ins for other assets .....	0	0	0
5. Total (Line 1 plus Lines 3 and 4)	145,189	125,398	(19,791)
0401. ....			
0402. ....			
0403. ....			
0498. Summary of remaining write-ins for Line 4 from overflow page .....	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	0	0	0

## NOTES TO FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

#### A. Accounting Practices

The accompanying Financial Statements of Grange Indemnity Insurance Company of Ohio have been prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the State of Ohio.

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policy

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by daily pro rata methods for direct business and are based on reports received from ceding companies for reinsurance.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method.
- (3) Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20 % or more are carried on the equity basis.
- (4) Preferred stocks are stated at cost.
- (5) Mortgage loans on real estate are stated at the aggregate carrying value less accrued interest.
- (6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities except for interest only securities or securities where the yield had become negative, that are valued using the prospective method.
- (7) The company has minor ownership interests in joint ventures. The company carries these interests based on the underlying audited GAAP equity of the investee.
- (8) All derivatives are stated at fair value.
- (9) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts - Premiums.
- (10) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

### 2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Ohio. Effective January 1, 2002, the State of Ohio required that insurance companies domiciled in the State prepare their statutory basis financial statements in accordance with the NAIC Accounting Practices and Procedures manual subject to any deviations prescribed or permitted by the State of Ohio insurance commissioner.

Accounting changes adopted to conform to the provisions of the NAIC Accounting Practices and Procedures manual, are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported a change of accounting principle, as an adjustment that increased (decreased) unassigned funds (surplus), of \$0 as of January 1, 2002.

### 3. BUSINESS COMBINATIONS AND GOODWILL

NONE

### 4. DISCONTINUED OPERATIONS

NONE

### 5. INVESTMENTS

#### A. MORTGAGE LOANS

NONE

#### B. DEBT RESTRUCTURING

NONE

#### C. REVERSE MORTGAGES

NONE

#### D. LOAN-BACKED SECURITIES

NONE

#### E. REPURCHASE AGREEMENTS

NONE

### 6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

NONE

## NOTES TO FINANCIAL STATEMENTS

## 7. INVESTMENT INCOME

NONE EXCLUDED

## 8. DERIVATIVE INSTRUMENTS

NONE

## 9. FEDERAL INCOME

A. The components of the net deferred tax asset / (liability) at December 31 are as follows:

	<u>2002</u>	<u>2001</u>
1. Total of all deferred tax assets (admitted and nonadmitted)	\$695,163	\$552,508
2. Total of all deferred tax liabilities	\$ 10,030	\$ 7,889
3. Deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	\$124,933	\$105,536
4. Total of all deferred tax assets	\$560,200	\$439,082
5. Increase (decrease) in deferred tax assets nonadmitted	\$19,397	\$(101,905)

B. Deferred tax liabilities are not recognized for the following amounts.

1. None not recognized

C. The significant components of the income taxes incurred

	<u>2002</u>	<u>2001</u>
1. Current year tax expense of	\$1,278,635	\$1,216,174
2. Tax credits of	\$0	\$0
3. Current year equity tax of	\$0	\$0
4. Prior year over accrual of tax reserves	\$0	\$0
5. Current Year Income Taxes	\$1,278,635	\$1,216,174

Main components of the 2002 deferred tax amounts are as follows:

	<u>Statutory</u>	<u>Tax</u>	<u>Difference</u>	<u>Tax Effect</u>
DTAs				
6. Reserves	\$14,588,579	\$12,622,655	\$1,965,924	\$688,073
7. Premiums in the course of collection	\$3,184,656	\$3,204,912	\$20,256	\$7,090
8. Accrued deferred compensation	\$0	\$0	\$0	\$0
9. Total DTA's	\$17,773,235	\$15,827,567	\$1,986,180	\$695,163
10. DTA's nonadmitted			\$356,951	\$124,933
DTLs				
11. Bonds	\$22,936,138	\$22,907,480	\$28,658	\$10,030
12. Depreciable assets	\$0	\$0	\$0	\$0
13. Accrued dividends	\$0	\$0	\$0	\$0
14. Total DTL's	\$22,936,138	\$22,907,480	\$28,658	\$10,030

The changes in main components of DTAs and DTLs are as follows:

	<u>2002</u>	<u>2001</u>	<u>Change</u>
DTAs resulting from book/tax differences in			
15. Reserves	\$688,073	\$546,181	\$141,892
16. Premiums in the course of collection	\$7,090	\$6,326	\$764
17. Accrued deferred compensation	\$0	\$0	\$0
18. Total DTA's	\$695,163	\$552,508	\$142,655
19. DTA's nonadmitted	\$124,933	\$105,536	\$19,397
DTLs resulting from book/tax differences in			
20. Bonds	\$10,030	\$7,889	\$2,141
21. Depreciable assets	\$0	\$0	\$0
22. Accrued dividends	\$0	\$0	\$0
23. Total DTL's	\$10,030	\$7,889	\$2,141

D. Among the more significant book to tax adjustments were the following:

	Amount	Tax Effect
1. Income before taxes	\$3,298,773	\$1,154,571
2. Book over tax reserves	9,808	3,433
3. Capital loss carryforward	\$344,662	120,631
4. Depreciation	0	0
5. Accrued market discount	0	0
6. Tax exempt interest	0	0
7. Dividends received deduction	0	0
8. Accrued dividends	0	0
9. Key-person life insurance premiums	0	0
10. Accrued deferred compensation	<u>0</u>	<u>0</u>
11. Taxable income	<u>\$3,653,243</u>	<u>\$1,278,635</u>

## NOTES TO FINANCIAL STATEMENTS

E.

1. The amount of federal income taxes incurred and available for recoupment in the event of future net losses is: current year \$1,278,635; first preceding year \$1,216,174 ; second preceding year \$638,697.
2. The amount of net losses carried forward and available to affect future net income subject to federal alternative minimum income tax is: current year \$-0-; first preceding year \$-0-; second preceding year \$-0-; third preceding year \$-0-; fourth preceding year \$-0-; fifth preceding year \$-0-; sixth preceding year \$-0-.

F.

1. The Company's Federal Income Tax return is consolidated with the Parent Company, Grange Mutual Casualty Company.
2. The method of allocation between the companies is subjected to a written agreement approve by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled annually after the tax return is filed.

### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

The Company is wholly owned by Grange Mutual Casualty Company.

### 11. DEBT

NONE

### 12. RETIREMENT PLANS AND DEFERRED COMPENSATION

All employees are employed by Grange Mutual Casualty Company, and participate currently in the pension and benefit plans of Grange Mutual. Annual costs are shared via the pooling arrangement.

### 13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUSAI-REORGANIZATIONS

NONE

### 14. CONTINGENCIES

NONE

### 15. LEASES

NONE

### 16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK.

NONE

### 17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

NONE

### 18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS.

NONE

### 19. DIRECT PREMIUM WRITTEN / PRODUCED BY MANAGING GENERAL AGENTS / THIRD PARTY ADMINISTRATORS

NONE

### 20. OTHER ITEMS

A. Failure of the amounts to add to totals is due to rounding or truncation.

B. September 11 Events  
NONE

### 21. EVENTS SUBSEQUENT

There have been no events, which have occurred subsequent to the filing of this statement, which have a material effect upon the financial condition of the Company.

### 22. REINSURANCE

A. UNSECURED REINSURANCE RECOVERABLES

NONE

B. REINSURANCE RECOVERABLE IN DISPUTE

NONE

NOTES TO FINANCIAL STATEMENTS

C. REINSURANCE ASSUMED AND CEDED

(1)

	Assumed Reinsurance		Ceded Reinsurance		Net	
	(1)	(2)	(3)	(4)	(5)	(6)
	Premium	Commission	Premium	Commission	Premium	Commission
	Reserve	Equity	Reserve	Equity	Reserve	Equity
a. Affiliates	\$6,294,613	\$1,070,084	\$14,288,811	\$2,429,098	\$6,294,613	\$1,070,084
b. All Other	0	0	0	0	0	0
c. TOTAL	<u>\$6,294,613</u>	<u>\$1,070,084</u>	<u>\$14,288,811</u>	<u>\$2,429,098</u>	<u>\$6,294,613</u>	<u>\$1,070,084</u>
d. Direct Unearned Premium Reserve	\$14,288,811					

Line (c) of Column 5 plus Line (d) must equal Page 3, Line 9, Column 1.

	Direct	Assumed	Ceded	Net
(2). Contingent Commission	\$269,112	\$137,712	\$269,112	\$137,712

D. UNCOLLECTIBLE REINSURANCE  
NONE

F. RETROACTIVE REINSURANCE  
NONE

23. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION  
NONE

24. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

The increase (decrease) is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

25. INTERCOMPANY POOLING AGREEMENTS

		Pool NAIC#	Share
Lead Company:	Grange Mutual Casualty Company	14060	88.0%
Affiliate:	Trustgard Insurance Company	40118	4.0%
	Grange Indemnity Insurance Company	10322	2.0%
	Grange Insurance Company of Michigan	11136	2.0%
	Integrity Mutual Insurance Company	14303	4.0%

All lines of business are subject to the pooling agreement, with no exceptions. All members of the pool are parties to all reinsurance treaties entered into by the group with non-affiliated reinsurers. There are no discrepancies between the reinsurance schedules of the lead company's and the reinsurance schedules of the other participants.

26. STRUCTURED SETTLEMENTS  
NONE

27. HIGH DEDUCTIBLES  
NONE

28. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES  
NONE

29. ASBESTOS/ENVIRONMENTAL RESERVES  
NONE

30. SUBSCRIBER SAVINGS ACCOUNTS  
Not applicable

31. FINANCIAL GUARENTRY INSURANCE EXPOSURES  
NONE

32. CATASTROPHIC PLANNING

The Company uses a deterministic model, which returns period losses estimated using probabilities associated with a comprehensive set of earthquake scenarios. We run this model at least once each year and analyze return periods in excess of 250 years and adjust our catastrophe protection accordingly. The exposures analyzed are aggregated at the zip code level. The Company's highest concentration of exposure as obtained from the "National Hazards Research Study" computer model developed by Travelers Insurance Company, Inc., is in western Kentucky. The Company has a comprehensive catastrophic reinsurance program in place, developed by Guy Carpenter & Company, Inc. We currently buy coverage well in excess of our 250+ year event outcome for this exposure. We also use modeling to analyze our potential losses from our windstorm exposure.

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities .....	1,591,732	6.854	1,591,732	6.854
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....		0.000		0.000
1.22 Issued by U.S. government sponsored agencies .....	2,992,500	12.886	2,992,500	12.886
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....		0.000		0.000
1.43 Revenue and assessment obligations .....		0.000		0.000
1.44 Industrial development and similar obligations .....		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA .....		0.000		0.000
1.512 Issued by FNMA and FHLMC .....		0.000		0.000
1.513 Privately issued .....		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....		0.000		0.000
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....		0.000		0.000
1.523 All other privately issued .....	504,713	2.173	504,713	2.173
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	17,847,193	76.852	17,847,193	76.852
2.2 Unaffiliated foreign securities .....		0.000		0.000
2.3 Affiliated securities .....		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds .....		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated .....		0.000		0.000
3.42 Unaffiliated .....		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....		0.000		0.000
3.52 Unaffiliated .....		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development .....		0.000		0.000
4.2 Agricultural .....		0.000		0.000
4.3 Single family residential properties .....		0.000		0.000
4.4 Multifamily residential properties .....		0.000		0.000
4.5 Commercial loans .....		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company .....		0.000	0	0.000
5.2 Property held for the production of income (includes \$ ..... of property acquired in satisfaction of debt) .....		0.000	0	0.000
5.3 Property held for sale (\$ ..... including property acquired in satisfaction of debt) .....		0.000	0	0.000
6. Policy loans .....		0.000		0.000
7. Receivables for securities .....		0.000	0	0.000
8. Cash and short-term investments .....	286,623	1.234	286,623	1.234
9. Other invested assets .....		0.000		0.000
10. Total invested assets	23,222,761	100.000	23,222,761	100.000

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [  ] No [  ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? ..... Yes [  ] No [  ] NA [  ]
- 1.3 State Regulating? ..... Ohio.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [  ] No [  ]
- 2.2 If yes, date of change: .....  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/1998
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....12/31/1998
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....10/30/2000
- 3.4 By what department or departments? Ohio.....
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? ..... Yes [  ] No [  ]
- 4.12 renewals? ..... Yes [  ] No [  ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? ..... Yes [  ] No [  ]
- 4.22 renewals? ..... Yes [  ] No [  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [  ] No [  ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) ..... Yes [  ] No [  ]
- 6.2 If yes, give full information: .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? ..... Yes [  ] No [  ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control; .....0.0
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....

## GENERAL INTERROGATORIES

(continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 KPMG Peat Marwick LLP, Columbus, Ohio.....
9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
 Curtis M. Parker, FCAS, CPCU, Officer of the Reporting Entity.....
10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]
- 10.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

### BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? ..... Yes [ X ] No [ ]
12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? ..... Yes [ X ] No [ ]
13. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or likely to conflict with the official duties of such person?. Yes [ X ] No [ ]

### FINANCIAL

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |           |
|--|---|-----------|
|  | 14.11 To directors or other officers ..                 | \$ .....0 |
|  | 14.12 To stockholders not officers ...                  | \$ .....0 |
|  | 14.13 Trustees, supreme or grand (Fraternal only) ..... | \$ .....0 |
- 14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |           |
|--|---|-----------|
|  | 14.21 To directors or other officers ...                | \$ .....0 |
|  | 14.22 To stockholders not officers ....                 | \$ .....0 |
|  | 14.23 Trustees, supreme or grand (Fraternal only) ..... | \$ .....0 |
- 15.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? ..... Yes [ ] No [ X ]
- 15.2 If yes, state the amount thereof at December 31 of the current year:
- |  |                                  |           |
|--|----------------------------------|-----------|
|  | 15.21 Rented from others .....   | \$ .....0 |
|  | 15.22 Borrowed from others ..... | \$ .....0 |
|  | 15.23 Leased from others .....   | \$ .....0 |
|  | 15.24 Other .....                | \$ .....0 |
- Disclose in Notes to Financial Statements the nature of each of these obligations.
- 16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? ..... Yes [ ] No [ X ]
- 16.2 If answer is yes,
- |  |  |           |
|--|--|-----------|
|  | 16.21 Amount paid as losses or risk adjustment ..... | \$ .....0 |
|  | 16.22 Amount paid as expenses .....                  | \$ .....0 |
|  | 16.23 Other amounts paid .....                       | \$ .....0 |

# GENERAL INTERROGATORIES

(continued)  
INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1	2	3	4	5		6	
	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price if Callable	Is Dividend Rate Limited?		Are Dividends Cumulative?	
					Yes	No	Yes	No
Preferred	0	0	0.000	0	[ ]	[ X ]	[ ]	[ X ]
Common	1,000	1,000	2,000.000	XXX	XXX	XXX	XXX	XXX

18.1. Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? ..... Yes [ ] No [ X ]

18.2 If no, give full and complete information relating thereto:  
On deposit in custodial account.

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 2 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) ..... Yes [ X ] No [ ]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21	Loaned to others	\$ 548,325
19.22	Subject to repurchase agreements	\$
19.23	Subject to reverse repurchase agreements	\$
19.24	Subject to dollar repurchase agreements	\$
19.25	Subject to reverse dollar repurchase agreements	\$
19.26	Pledged as collateral	\$
19.27	Placed under option agreements	\$
19.28	Letter stock or other securities restricted as to sale	\$
19.29	Other	\$

19.3 For each category above, if any of these assets are held by others, identify by whom held:

19.31 See attached schedule.....	19.35 .....
19.32 .....	19.36 .....
19.33 .....	19.37 .....
19.34 .....	19.38 .....
	19.39 .....

For categories (19.21) and (19.23) above, and for any other securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes [ ] No [ X ]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ] NA [ X ]  
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? ..... Yes [ ] No [ X ]

21.2. If yes, state the amount thereof at December 31 of the current year. .... \$ 0

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [ X ] No [ ]

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Bank One Trust Co., NA.....	1111 Polaris Parkway, Columbus, OH 43240.....
.....	.....

## GENERAL INTERROGATORIES

(continued)  
INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year?..... Yes [  ] No [  ]

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

### OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$.....0

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

24.1 Amount of payments for legal expenses, if any?..... \$.....0

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

**GENERAL INTERROGATORIES**

(continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] No [ X ]
- 1.2 If yes, indicate premium earned on U. S. business only ..... \$ .....0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ .....0
- 1.31 Reason for excluding  
 .....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .... \$ .....0
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. .... \$ .....0
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned ..... \$ .....0
- 1.62 Total incurred claims ..... \$ .....0
- 1.63 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.64 Total premium earned ..... \$ .....0
- 1.65 Total incurred claims ..... \$ .....0
- 1.66 Number of covered lives ..... \$ .....0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned ..... \$ .....0
- 1.72 Total incurred claims ..... \$ .....0
- 1.73 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.74 Total premium earned ..... \$ .....0
- 1.75 Total incurred claims ..... \$ .....0
- 1.76 Number of covered lives ..... \$ .....0
- 2.1 Does the reporting entity issue both participating and non-participating policies? ..... Yes [ ] No [ X ]
- 2.2 If yes, state the amount of calendar year net premiums written on:
- 2.21 Participating policies ..... \$ .....0
- 2.22 Non-participating policies ..... \$ .....0
3. For Mutual Reporting Entities and Reciprocal Exchanges Only:
- 3.1 Does the reporting entity issue assessable policies? ..... Yes [ ] No [ X ]
- 3.2 Does the reporting entity issue non-assessable policies? ..... Yes [ X ] No [ ]
- 3.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? ..... 0.0 %
- 3.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums? ..... \$ .....0
4. For Reciprocal Exchanges Only:
- 4.1 Does the Exchange appoint local agents? ..... Yes [ ] No [ X ]
- 4.2 If yes, is the commission paid:
- 4.21 Out of Attorney/s-in-fact compensation ..... Yes [ ] No [ ] NA [ X ]
- 4.22 As a direct expense of the Exchange ..... Yes [ ] No [ ] NA [ X ]
- 4.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?  
 0.....
- 4.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? ..... Yes [ ] No [ X ]
- 4.5 If yes, give full information  
 .....
- 5.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss? .....
- Purchased statutory cover workers' compensation reinsurance.....
- 5.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process. ....
- See Notes to Financial Statement Number 32.....
- 5.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?.....
- See Notes to Financial Statement Number 32.....
- 5.4 Does the reporting entity carry catastrophe reinsurance protection, with provision for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? ..... Yes [ X ] No [ ]
- 5.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss.  
 .....
- 6.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provision)? ..... Yes [ ] No [ X ]
- 6.2 If yes, indicate the number of reinsurance contracts containing such provisions: .....

**GENERAL INTERROGATORIES**  
**PART 2 - PROPERTY & CASUALTY INTERROGATORIES (continued)**

- 7.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?..... Yes [ ] No [ X ]
- 7.2 If yes, give full information .....
8. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?..... Yes [X] No [ ] NA [ ]
- 9.1 Has this reporting entity guaranteed policies issued by any other entity and now in force?..... Yes [ ] No [ X ]
- 9.2 If yes, give full information .....
- 10.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 10.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 10.11 Unpaid losses..... \$ .....0
- 10.12 Unpaid underwriting expenses (including loss adjustment expenses)..... \$ .....0
- 10.2 Of the amount on Line 10.3 of the assets schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds..... \$ .....0
- 10.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?..... Yes [ ] No [X] NA [ ]
- 10.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 10.41 From..... %
- 10.42 To..... %
- 10.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?..... Yes [ ] No [ X ]
- 10.6 If yes, state the amount thereof at December 31 of the current year:
- 10.61 Letters of credit..... \$ .....
- 10.62 Collateral and other funds..... \$ .....
- 11.1 What amount of installment notes is owned and now held by the reporting entity?..... \$ .....0
- 11.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year?..... Yes [ ] No [ X ]
- 11.3 If yes, what amount?..... \$ .....
- 12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation):..... \$ .....500,000
- 12.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?..... Yes [ ] No [ X ]
- 12.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount..... 6
- 13.1 Has this reporting entity guaranteed any financed premium accounts?..... Yes [ ] No [ X ]
- 13.2 If yes, give full information .....
- 14.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?..... Yes [ ] No [ X ]
- 14.11 Name of real estate holding company .....
- 14.12 Number of parcels involved .....
- 14.13 Total book/adjusted carrying value ..... \$ .....
- 14.2 If yes, provide explanation:
- 15.1 Does the reporting entity write any warranty business?..... Yes [ ] No [ X ]
- If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
15.11 Home .....	\$ .....0	\$ .....0	\$ .....	\$ .....0	\$ .....
15.12 Products .....	\$ .....0	\$ .....0	\$ .....0	\$ .....0	\$ .....
15.13 Automobile .....	\$ .....0	\$ .....0	\$ .....0	\$ .....0	\$ .....
15.14 Other* .....	\$ .....0	\$ .....0	\$ .....0	\$ .....0	\$ .....

\* Disclose type of coverage:

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY**

**FIVE-YEAR HISTORICAL DATA**

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	45,142,551	37,532,487	30,904,398	33,166,608	37,498,394
2. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	24,608,704	20,963,302	17,106,524	17,325,967	19,364,481
3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	3,851,994	2,805,038	2,549,154	2,409,601	2,317,396
4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	13,906	21,644	21,013	19,369	18,412
5. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)	0	0	0	1	0
6. Total (Line 34)	73,617,155	61,322,471	50,581,089	52,921,546	59,198,683
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	8,132,124	6,176,101	5,314,351	5,211,955	5,419,666
8. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	5,782,653	4,744,703	4,068,642	3,797,491	3,787,635
9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	3,851,994	2,805,038	2,549,154	2,409,601	2,317,396
10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	13,906	21,644	21,013	19,369	18,412
11. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)	0	0	0	1	0
12. Total (Line 34)	17,780,677	13,747,486	11,953,160	11,438,417	11,543,109
<b>Statement of Income</b> (Page 4)					
13. Net Underwriting Gain (Loss) (Line 8)	(658,461)	(725,505)	(1,202,868)	(93,886)	(416,011)
14. Net Investment Gain (Loss) (Line 11)	925,324	1,440,646	952,147	818,887	1,025,215
15. Total Other Income (Line 15)	3,068,977	2,630,916	1,960,155	2,118,197	2,151,769
16. Dividends to Policyholders (Line 17)	37,067	0	0	0	0
17. Federal and Foreign Income Taxes Incurred (Line 19)	1,278,635	1,216,174	638,697	1,014,926	1,012,400
18. Net Income (Line 20)	2,020,138	2,129,883	1,070,737	1,828,272	1,748,573
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total Admitted Assets excluding Protected Cell (Page 2, Line 26, Col. 3)	32,557,209	27,306,435	22,966,978	21,312,170	19,356,510
20. Agents' Balances or Uncollected Premiums (Page 2, Col. 3)					
20.1 In Course of Collection (Line 10.1)	2,964,903	2,401,872	1,968,229	1,790,300	1,762,106
20.2 Deferred and not yet due (Line 10.2)	332,416	13,411	10,102	8,814	8,770
20.3 Accrued Retrospective Premiums (Line 10.3)	0	0	0	0	0
21. Total Liabilities excluding Protected Cell (Page 3, Line 24)	16,511,041	13,401,128	12,098,334	11,565,391	11,451,443
22. Losses (Page 3, Lines 1 and 2)	6,429,349	5,368,096	5,546,804	4,998,646	4,961,124
23. Loss Adjustment Expenses (Page 3, Line 3)	1,601,739	1,381,380	1,268,118	1,177,968	1,131,097
24. Unearned premiums (Page 3, Line 9)	6,294,613	4,817,012	4,145,445	3,840,850	3,881,780
25. Capital Paid Up (Page 3, Lines 28 & 29)	2,000,000	2,000,000	1,500,000	1,500,000	1,500,000
26. Surplus as Regards Policyholders (Page 3, Line 35)	16,046,168	13,905,307	10,868,644	9,746,779	7,905,067
<b>Risk-Based Capital Analysis</b>					
27. Total Adjusted Capital	16,046,168	13,905,307	10,868,644	9,746,779	7,905,067
28. Authorized Control Level Risk-Based Capital	1,253,899	1,044,112	1,111,765	1,036,218	1,047,797
<b>Percentage Distribution of Cash and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 9, Col. 3) x 100.0					
29. Bonds (Line 1)	98.8	96.8	95.9	96.0	96.2
30. Stocks (Lines 2.1 & 2.2)	0.0	0.0	0.0	0.0	0.0
31. Mortgage Loans on Real Estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
32. Real Estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.0
33. Cash and Short-Term Investments (Line 5)	1.2	3.2	4.1	4.0	3.8
34. Other Invested Assets (Line 6)	0.0	0.0	0.0	0.0	0.0
35. Receivable for Securities (Line 7)	0.0	0.0	0.0	0.0	0.0
36. Aggregate Write-Ins for Invested Assets (Line 8)	0.0	0.0	0.0	0.0	0.0
37. Cash and Invested Assets (Line 9)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
38. Affiliated Bonds (Schedule D, Summary, Line 25, Col. 1)	0	0	0	0	0
39. Affiliated Preferred Stocks (Schedule D, Summary, Line 39, Col. 1)	0	0	0	0	0
40. Affiliated Common Stocks (Schedule D, Summary, Line 53, Col. 2)	0	0	0	0	0
41. Affiliated Short-Term Investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
42. Affiliated Mortgage Loans on Real Estate	0	0	0	0	0
43. All Other Affiliated	0	0	0	0	0
44. Total of above Lines 38 to 43	0	0	0	0	0
45. Percentage of Investments in Parent, Subsidiaries and Affiliates to Surplus as Regards Policyholders (Line 44 above divided by Page 3, Col. 1, Line 35 x 100.0)	0.0	0.0	0.0	0.0	0.0

**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>Capital and Surplus Accounts (Page 4)</b>					
46. Net Unrealized Capital Gains (Losses) (Line 23) .....	0	0	0	0	0
47. Dividends to Stockholders (Line 34) .....	0	0	0	0	0
48. Change in surplus as regards policyholders for the year (Line 37) .....	2,140,861	3,036,663	1,121,865	1,841,712	1,716,296
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
49. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	23,272,262	21,984,610	19,983,180	19,329,719	19,059,222
50. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	15,150,735	13,723,622	11,398,699	10,977,629	12,465,111
51. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....	2,334,103	2,053,223	1,901,816	1,682,106	1,658,572
52. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	18,835	31,684	32,200	29,217	23,582
53. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....	0	0	0	0	0
54. Total (Line 34) .....	40,775,935	37,793,139	33,315,895	32,018,671	33,206,487
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
55. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	3,645,500	3,480,707	3,125,130	3,025,138	3,324,955
56. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	3,298,742	3,038,123	2,545,427	2,272,731	2,366,580
57. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....	2,334,103	2,053,223	1,901,816	1,682,106	1,658,572
58. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	18,835	31,684	32,200	29,217	23,582
59. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....	0	0	0	0	0
60. Total (Line 34) .....	9,297,180	8,603,737	7,604,573	7,009,192	7,373,689
<b>Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0</b>					
61. Premiums Earned (Line 1) .....	100.0	100.0	100.0	100.0	100.0
62. Losses Incurred (Line 2) .....	63.5	64.4	70.0	61.5	65.8
63. Loss Expenses Incurred (Line 3) .....	10.1	10.6	10.5	10.1	8.9
64. Other Underwriting Expenses Incurred (Line 4) .....	30.4	30.6	29.9	29.2	29.1
65. Net Underwriting gain (loss) (Line 8) .....	(4.0)	(5.5)	(10.3)	(0.8)	(3.7)
<b>Other Percentages</b>					
66. Other Underwriting Expenses to Net Premiums Written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0) .....	10.6	9.9	12.7	10.8	9.8
67. Losses and Loss Expenses Incurred to Premiums Earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....	73.7	75.0	80.5	71.6	74.6
68. Net Premiums Written to Policyholders' Surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0) .....	110.8	98.9	110.0	117.4	146.0
<b>One Year Loss Development (000 omitted)</b>					
69. Development in Estimated Losses and Loss Expenses Incurred Prior to Current Year (Schedule P - Part 2 - Summary, Line 12, Col. 11) .....	(477)	(1,064)	(637)	(916)	(886)
70. Percent of Development of Loss and Loss Expenses Incurred to Policyholders' Surplus of Previous Year End (Line 69 above divided by Page 4, Line 21, Col. 1 x 100.0) .....	(3.4)	(9.8)	(6.5)	(11.6)	(14.3)
<b>Two Year Loss Development (000 omitted)</b>					
71. Development in Estimated Losses and Loss Expenses Incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12) .....	(896)	(841)	(848)	(1,012)	(746)
72. Percent of Development of Loss and Loss Expenses Incurred to Reported Policyholders' Surplus of Second Previous Year End (Line 71 above divided by Page 4, Line 21, Col. 2 x 100.0) .....	(8.2)	(8.6)	(10.7)	(16.4)	(14.8)

**SCHEDULE D - SUMMARY BY COUNTRY**

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
<b>BONDS</b>				
Governments (Including all obligations guaranteed by governments)	1. United States ..... 1,591,732 2. Canada ..... 0 3. Other Countries ..... 0 4. Totals ..... 1,591,732	1,762,757 0 0 1,762,757	1,577,571 0 0 1,577,571	1,600,000 0 0 1,600,000
States, Territories and Possessions (Direct and guaranteed)	5. United States ..... 0 6. Canada ..... 0 7. Other Countries ..... 0 8. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States ..... 0 10. Canada ..... 0 11. Other Countries ..... 0 12. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States ..... 2,992,499 14. Canada ..... 0 15. Other Countries ..... 0 16. Totals ..... 2,992,499	3,015,356 0 0 3,015,356	2,990,355 0 0 2,990,355	3,000,000 0 0 3,000,000
Public Utilities (unaffiliated)	17. United States ..... 2,556,074 18. Canada ..... 0 19. Other Countries ..... 0 20. Totals ..... 2,556,074	2,645,645 0 0 2,645,645	2,581,576 0 0 2,581,576	2,500,000 0 0 2,500,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States ..... 15,795,833 22. Canada ..... 0 23. Other Countries ..... 0 24. Totals ..... 15,795,833	16,924,239 0 0 16,924,239	15,765,399 0 0 15,765,399	15,797,925 0 0 15,797,925
Parent, Subsidiaries and Affiliates	25. Totals ..... 0 26. <b>Total Bonds</b> ..... 22,936,138	0 24,347,997	0 22,914,901	0 22,897,925
<b>PREFERRED STOCKS</b>				
Public Utilities (unaffiliated)	27. United States ..... 0 28. Canada ..... 0 29. Other Countries ..... 0 30. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States ..... 0 32. Canada ..... 0 33. Other Countries ..... 0 34. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Industrial and Miscellaneous (unaffiliated)	35. United States ..... 0 36. Canada ..... 0 37. Other Countries ..... 0 38. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Parent, Subsidiaries and Affiliates	39. Totals ..... 0 40. <b>Total Preferred Stocks</b> ..... 0	0 0	0 0	0 0
<b>COMMON STOCKS</b>				
Public Utilities (unaffiliated)	41. United States ..... 0 42. Canada ..... 0 43. Other Countries ..... 0 44. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States ..... 0 46. Canada ..... 0 47. Other Countries ..... 0 48. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Industrial and Miscellaneous (unaffiliated)	49. United States ..... 0 50. Canada ..... 0 51. Other Countries ..... 0 52. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Parent, Subsidiaries and Affiliates	53. Totals ..... 0 54. <b>Total Common Stocks</b> ..... 0 55. <b>Total Stocks</b> ..... 0 56. <b>Total Bonds and Stocks</b> ..... 22,936,138	0 0 0 24,347,997	0 0 0 22,914,901	0 0 0 22,897,925

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ .....5,844,223 .

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

1. Book/adjusted carrying value of bonds and stocks, prior year ..... 21,447,737	6. Foreign Exchange Adjustment:
2. Cost of bonds and stocks acquired, Column 6, Part 3 ..... 4,890,885	6.1 Column 17, Part 1 ..... 0
3. Increase (decrease) by adjustment:	6.2 Column 13, Part 2, Sec. 1 ..... 0
3.1 Column 16, Part 1 ..... 5,708	6.3 Column 11, Part 2, Sec. 2 ..... 0
3.2 Column 12, Part 2, Sec. 1 ..... 0	6.4 Column 11, Part 4 ..... 0
3.3 Column 10, Part 2, Sec. 2 ..... 0	7. Book/adjusted carrying value at end of current period ..... 22,936,138
3.4 Column 10, Part 4 ..... (450,058) ..... (444,350)	8. Total valuation allowance ..... 22,936,138
4. Total gain (loss), Col. 14, Part 4 ..... 52,496	9. Subtotal (Lines 7 plus 8) ..... 22,936,138
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 ..... 3,010,630	10. Total nonadmitted amounts ..... 22,936,138
	11. Statement value of bonds and stocks, current period ..... 22,936,138

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**  
**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	6	1	4	0	0	0	1	9	XXX
2. 1993	7,607	213	7,394	4,743	72	233	0	465	0	222	5,369	XXX
3. 1994	8,381	239	8,141	5,932	179	283	7	499	0	265	6,528	XXX
4. 1995	9,188	253	8,936	6,014	82	269	(3)	488	0	303	6,692	XXX
5. 1996	10,147	249	9,897	7,059	140	303	5	564	0	321	7,781	XXX
6. 1997	11,223	289	10,933	7,268	226	272	3	588	1	334	7,897	XXX
7. 1998	12,195	356	11,839	8,123	425	231	6	830	10	351	8,742	XXX
8. 1999	12,462	413	12,049	7,465	264	224	3	923	2	372	8,343	XXX
9. 2000	12,842	490	12,352	8,237	317	160	4	958	8	414	9,027	XXX
10. 2001	14,437	571	13,866	8,099	424	75	1	1,001	4	365	8,747	XXX
11. 2002	16,950	647	16,303	7,377	553	31	0	965	1	189	7,819	XXX
12. Totals	XXX	XXX	XXX	70,323	2,683	2,085	27	7,281	25	3,138	76,954	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
	13	14	15	16	17	18	19	20					
1.	32	11	13	1	1	0	0	0	1	0	0	36	XXX
2.	47	43	6	1	0	0	2	0	0	0	0	10	XXX
3.	11	0	6	1	1	0	1	0	1	0	1	17	XXX
4.	12	0	5	1	2	0	1	0	2	0	1	20	XXX
5.	42	3	4	1	7	0	1	0	2	0	2	51	XXX
6.	75	2	5	1	9	0	1	0	4	0	4	91	XXX
7.	138	10	5	1	20	0	3	0	9	0	7	164	XXX
8.	309	31	7	2	41	0	8	0	17	0	15	348	XXX
9.	645	75	168	6	79	0	37	1	43	0	45	891	XXX
10.	1,003	34	342	12	134	0	65	3	92	0	79	1,587	XXX
11.	2,484	40	1,384	35	327	0	262	5	441	2	426	4,817	XXX
12. Totals	4,798	249	1,944	63	623	0	379	10	612	3	581	8,031	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	33	2
2.	5,496	117	5,379	72.3	55.1	72.7	0	0	0.0	8	2
3.	6,733	188	6,545	80.3	78.5	80.4	0	0	0.0	15	3
4.	6,792	80	6,712	73.9	31.8	75.1	0	0	0.0	15	5
5.	7,981	149	7,832	78.7	59.6	79.1	0	0	2.0	42	9
6.	8,222	234	7,988	73.3	80.8	73.1	0	0	2.0	77	14
7.	9,359	453	8,906	76.7	127.3	75.2	0	0	2.0	132	32
8.	8,994	303	8,691	72.2	73.4	72.1	0	0	2.0	282	65
9.	10,328	410	9,918	80.4	83.8	80.3	0	0	2.0	732	159
10.	10,811	478	10,334	74.9	83.7	74.5	0	0	2.0	1,299	288
11.	13,271	635	12,637	78.3	98.2	77.5	0	0	2.0	3,794	1,023
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	6,429	1,602

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE INDEMNITY INSURANCE COMPANY**

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	One Year	Two Year
1. Prior	2,032	2,015	1,894	1,904	1,888	1,879	1,860	1,868	1,865	1,869	4	1
2. 1993	5,289	4,984	4,977	4,892	4,907	4,902	4,898	4,906	4,907	4,913	7	7
3. 1994	XXX	6,619	6,181	6,189	6,085	6,070	6,051	6,044	6,035	6,045	10	1
4. 1995	XXX	XXX	6,902	6,342	6,341	6,219	6,210	6,227	6,222	6,222	1	(5)
5. 1996	XXX	XXX	XXX	7,943	7,376	7,393	7,279	7,270	7,249	7,266	17	(4)
6. 1997	XXX	XXX	XXX	XXX	8,285	7,472	7,468	7,368	7,359	7,397	38	29
7. 1998	XXX	XXX	XXX	XXX	XXX	8,848	8,051	8,201	8,087	8,077	(9)	(123)
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	8,582	7,878	7,814	7,754	(60)	(124)
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,602	8,760	8,924	165	(678)
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,893	9,244	(649)	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,232	XXX	XXX
<b>12. Totals</b>											<b>(477)</b>	<b>(896)</b>

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		
1. Prior	000	923	1,468	1,665	1,748	1,788	1,806	1,821	1,825	1,834	XXX	XXX
2. 1993	2,917	3,887	4,372	4,672	4,802	4,860	4,886	4,903	4,902	4,903	XXX	XXX
3. 1994	XXX	3,594	4,842	5,420	5,756	5,925	5,994	6,010	6,015	6,029	XXX	XXX
4. 1995	XXX	XXX	3,812	5,152	5,627	5,963	6,098	6,176	6,192	6,205	XXX	XXX
5. 1996	XXX	XXX	XXX	4,696	6,115	6,664	6,962	7,106	7,170	7,217	XXX	XXX
6. 1997	XXX	XXX	XXX	XXX	4,897	6,247	6,755	7,071	7,216	7,310	XXX	XXX
7. 1998	XXX	XXX	XXX	XXX	XXX	5,400	6,766	7,347	7,707	7,923	XXX	XXX
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	5,120	6,490	7,020	7,423	XXX	XXX
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,796	7,413	8,076	XXX	XXX
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,139	7,749	XXX	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,855	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1. Prior	286	135	28	18	15	17	16	15	14	12
2. 1993	614	185	108	6	1	1	1	0	0	6
3. 1994	XXX	651	207	125	6	2	2	1	1	5
4. 1995	XXX	XXX	776	221	127	4	3	2	1	4
5. 1996	XXX	XXX	XXX	800	228	125	6	3	1	3
6. 1997	XXX	XXX	XXX	XXX	840	222	150	6	3	5
7. 1998	XXX	XXX	XXX	XXX	XXX	881	257	150	7	6
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	1,051	270	175	13
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,132	319	199
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,366	392
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,606

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

States, etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	No	0	0	0	0	0	0	0
2. Alaska	AK	No	0	0	0	0	0	0	0
3. Arizona	AZ	No	0	0	0	0	0	0	0
4. Arkansas	AR	No	0	0	0	0	0	0	0
5. California	CA	No	0	0	0	0	0	0	0
6. Colorado	CO	No	0	0	0	0	0	0	0
7. Connecticut	CT	No	0	0	0	0	0	0	0
8. Delaware	DE	No	0	0	0	0	0	0	0
9. District of Columbia	DC	No	0	0	0	0	0	0	0
10. Florida	FL	No	0	0	0	0	0	0	0
11. Georgia	GA	Yes	5,163,257	4,660,744	2,701,822	3,368,289	1,646,188	216,059	0
12. Hawaii	HI	No	0	0	0	0	0	0	0
13. Idaho	ID	No	0	0	0	0	0	0	0
14. Illinois	IL	Yes	1,698,112	1,756,841	949,906	925,759	703,031	81,785	0
15. Indiana	IN	Yes	4,925,638	4,895,658	2,962,290	2,956,890	1,388,635	252,530	0
16. Iowa	IA	Yes	0	0	0	0	0	0	0
17. Kansas	KS	Yes	0	0	0	0	0	0	0
18. Kentucky	KY	Yes	7,854,224	7,405,753	4,640,344	4,541,244	2,109,049	334,374	0
19. Louisiana	LA	No	0	0	0	0	0	0	0
20. Maine	ME	No	0	0	0	0	0	0	0
21. Maryland	MD	No	0	0	0	0	0	0	0
22. Massachusetts	MA	No	0	0	0	0	0	0	0
23. Michigan	MI	No	0	0	0	0	0	0	0
24. Minnesota	MN	Yes	0	0	0	0	0	0	0
25. Mississippi	MS	No	0	0	0	0	0	0	0
26. Missouri	MO	Yes	0	0	0	0	0	0	0
27. Montana	MT	No	0	0	0	0	0	0	0
28. Nebraska	NE	No	0	0	0	0	0	0	0
29. Nevada	NV	No	0	0	0	0	0	0	0
30. New Hampshire	NH	No	0	0	0	0	0	0	0
31. New Jersey	NJ	No	0	0	0	0	0	0	0
32. New Mexico	NM	No	0	0	0	0	0	0	0
33. New York	NY	No	0	0	0	0	0	0	0
34. North Carolina	NC	No	0	0	0	0	0	0	0
35. North Dakota	ND	No	0	0	0	0	0	0	0
36. Ohio	OH	Yes	30,187,623	29,809,048	16,773,755	17,365,470	10,744,063	1,781,903	0
37. Oklahoma	OK	No	0	0	0	0	0	0	0
38. Oregon	OR	No	0	0	0	0	0	0	0
39. Pennsylvania	PA	Yes	0	0	0	0	0	0	0
40. Rhode Island	RI	No	0	0	0	0	0	0	0
41. South Carolina	SC	No	0	0	0	0	0	0	0
42. South Dakota	SD	No	0	0	0	0	0	0	0
43. Tennessee	TN	Yes	6,007,624	5,467,032	3,450,638	4,155,651	2,111,596	265,141	0
44. Texas	TX	No	0	0	0	0	0	0	0
45. Utah	UT	No	0	0	0	0	0	0	0
46. Vermont	VT	No	0	0	0	0	0	0	0
47. Virginia	VA	No	0	0	0	0	0	0	0
48. Washington	WA	No	0	0	0	0	0	0	0
49. West Virginia	WV	No	0	0	0	0	0	0	0
50. Wisconsin	WI	Yes	0	0	0	0	0	0	0
51. Wyoming	WY	No	0	0	0	0	0	0	0
52. American Samoa	AS	No	0	0	0	0	0	0	0
53. Guam	GU	No	0	0	0	0	0	0	0
54. Puerto Rico	PR	No	0	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	No	0	0	0	0	0	0	0
56. Canada	CN	No	0	0	0	0	0	0	0
57. Aggregate Other Aliens	OT	XXX	0	0	0	0	0	0	0
58. Totals	(a) 12		55,836,478	53,995,076	31,478,755	33,313,303	18,702,562	2,931,792	0
<b>DETAILS OF WRITE-INS</b>									
5701.	XXX								
5702.	XXX								
5703.	XXX								
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX		0	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)	XXX		0	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and Other Alien.

**Explanation of basis of allocation of premiums by states, etc.**

Location of the risk.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

**PART 1 - ORGANIZATIONAL CHART**

FEI NO.	STATE OF DOMICILE	NAIC CODE		
<u>PARENT COMPANY:</u>				
31-4192970	OH	14060	*GRANGE MUTUAL CASUALTY COMPANY	
<u>SUBSIDIARY COMPANIES:</u>				
31-0739286	OH	71218	*GRANGE LIFE INSURANCE COMPANY	100% OWNED
41-1405571	OH	40118	*TRUSTGARD INSURANCE COMPANY	100% OWNED
31-1432675	OH	10322	*GRANGE INDEMNITY INSURANCE COMPANY	100% OWNED
31-1769414	OH	11136	*GRANGE INSURANCE COMPANY OF MICHIGAN	100% OWNED
31-1651402	OH	N/A	THE GRANGE BANK	100% OWNED
<u>AFFILIATE</u>				
39-0367560	WI	14303	*INTEGRITY MUTUAL INSURANCE COMPANY	100% POOLED

\* INSURER