



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

NAIC Group Code 0267 (Current Period) 0267 (Prior Period) NAIC Company Code 14060 Employer's ID Number 31-4192970

Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio

Country of Domicile United States of America

Incorporated 03/25/1935 Commenced Business 04/20/1935

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

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Policyowner Relations Contact 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) (Extension)

OFFICERS

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

VICE PRESIDENTS

GREGORY SCOT ADKINS CHARLES RICHARD CARTER MARTIN JAMES DINEHART #
SHARON ANN HALL ROBERT LAIN HOLTSBERRY BARRY EUGENE HUNLOCK
ROBERT KEVIN MAYS # DANIEL STEPHENS MORRIS WALTER LOREN NEFF
LYLE DEAN RHODEBECK MARK CLARENCE RUSSELL DOUGLAS LEWIS SHARP
THOMAS HOWARD WELCH #

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 DAVAID 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 19, 2004

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE MUTUAL CASUALTY COMPANY**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds .....	613,611,975		613,611,975	557,745,810
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1) .....	2,133,656		2,133,656	249,000
2.2 Common stocks (Schedule D, Part 2, Section 2) .....	162,599,432		162,599,432	181,430,306
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) .....	17,068,431		17,068,431	16,632,966
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 (\$ .....37,023,538 Schedule E, Part 1) and short-term investments(\$ .....500,656 Schedule DA, Part 2) .....	37,524,194		37,524,194	24,705,397
6. Other invested assets (Schedule BA) .....	3,701,256		3,701,256	3,338,324
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) .....	836,638,944	0	836,638,944	784,101,803
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection .....	130,773,275	821,545	129,951,730	110,486,070
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (Including \$ ..... earned but unbilled premiums) .....	14,696,036	69,719	14,626,317	616,927
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) .....	5,284,601		5,284,601	311,439
15. Federal and foreign income tax recoverable and interest thereon (including \$ .....29,729,637 net deferred tax asset) .....	52,171,694	15,263,013	36,908,681	22,130,770
16. Guaranty funds receivable or on deposit .....			0	0
17. Electronic data processing equipment and software .....	2,463,120		2,463,120	2,353,310
18. Interest, dividends and real estate income due and accrued .....	9,776,392		9,776,392	9,585,741
19. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
20. Receivable from parent, subsidiaries and affiliates .....			0	88,872
21. Amount due from/to protected cells .....			0	
22. Equities and deposits in pools and associations .....	248,205		248,205	197,378
23. Amounts receivable relating to uninsured accident and health plans .....			0	0
24. Other assets nonadmitted (Exhibit 1) .....	10,817,122	10,817,122	0	0
25. Aggregate write-ins for other than invested assets .....	283,131	0	283,131	239,070
26. Total assets excluding protected cell assets (Lines 9 through 25) .....	1,063,152,520	26,971,399	1,036,181,121	930,111,380
27. Protected cell assets .....			0	
28. TOTALS (Lines 26 and 27)	1,063,152,520	26,971,399	1,036,181,121	930,111,380
<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. Miscellaneous receivable .....	283,131		283,131	239,070
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) .....	283,131	0	283,131	239,070

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8) .....	282,891,406	246,932,575
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) .....	70,476,506	63,543,567
4. Commissions payable, contingent commissions and other similar charges .....	7,127,069	5,208,673
5. Other expenses (excluding taxes, licenses and fees) .....	15,166,510	12,460,468
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	11,566,606	9,664,858
7. Federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) (including \$ ..... net deferred tax liability) .....	0	0
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 \$ .....43,331,197 and including warranty reserves of \$ .....)	276,962,976	221,582,558
10. Advance premiums .....		
11. Dividends declared and unpaid:		
11.1 Stockholders .....		0
11.2 Policyholders .....		0
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	4,453,212	0
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....		0
14. Amounts withheld or retained by company for account of others .....	138,175	160,337
15. Remittances and items not allocated .....		0
16. Provision for reinsurance (Schedule F, Part 7) .....	1,427,626	0
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		0
18. Drafts outstanding .....	3,894,916	1,548,104
19. Payable to parent, subsidiaries and affiliates .....	4,218,702	0
20. Payable for securities .....	92,274	0
21. Liability for amounts held under uninsured accident and health plans .....		0
22. Capital Notes \$ ..... and interest thereon \$ .....		0
23. Aggregate write-ins for liabilities .....	8,044,356	7,894,981
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) .....	686,460,334	568,996,121
25. Protected cell liabilities .....		
26. Total liabilities (Lines 24 and 25) .....	686,460,334	568,996,121
27. Aggregate write-ins for special surplus funds .....	0	0
28. Common capital stock .....		0
29. Preferred capital stock .....		0
30. Aggregate write-ins for other than special surplus funds .....	0	0
31. Surplus notes .....		0
32. Gross paid in and contributed surplus .....		0
33. Unassigned funds (surplus) .....	349,720,787	361,115,259
34. Less treasury stock, at cost:		
34.1 ..... shares common (value included in Line 28 \$ .....)		0
34.2 ..... shares preferred (value included in Line 29 \$ .....)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38) .....	349,720,787	361,115,259
36. TOTALS (Page 2, Line 28, Col. 3)	1,036,181,121	930,111,380
<b>DETAILS OF WRITE-INS</b>		
2301. Reserve for checks written off.....	1,666,007	2,132,556
2302. Deferred compensation.....	5,689,288	5,157,920
2303. Suspense.....	689,061	604,505
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)	8,044,356	7,894,981
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 MUTUAL CASUALTY 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) .....	717,335,359	601,492,102
<b>DEDUCTIONS</b>		
2. Losses incurred (Part 2, Line 34, Column 7) .....	455,771,010	387,551,493
3. Loss expenses incurred (Part 3, Line 25, Column 1) .....	72,664,991	63,486,332
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....	217,871,576	183,827,938
5. Aggregate write-ins for underwriting deductions .....	0	0
6. Total underwriting deductions (Lines 2 through 5) .....	746,307,577	634,865,763
7. Net income of protected cells .....		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7) .....	(28,972,218)	(33,373,661)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	38,564,239	39,848,495
10. Net realized capital gains or (losses) (Exhibit of Capital Gains (Losses)) .....	(25,221,296)	(21,181,546)
11. Net investment gain or (loss) (Lines 9 + 10) .....	13,342,943	18,666,949
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ ..... 63,301 amount charged off \$ ..... 5,052,092 ) .....	(4,988,791)	(4,345,247)
13. Finance and service charges not included in premiums .....	12,857,410	10,574,202
14. Aggregate write-ins for miscellaneous income .....	142,092	163,468
15. Total other income (Lines 12 through 14) .....	8,010,711	6,392,423
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15) .....	(7,618,564)	(8,314,289)
17. Dividends to policyholders .....	1,630,963	0
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17) .....	(9,249,527)	(8,314,289)
19. Federal and foreign income taxes incurred .....	(221,186)	(210,428)
20. Net income (Line 18 minus Line 19) (to Line 22) .....	(9,028,341)	(8,103,861)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2) .....	361,115,258	334,036,057
<b>GAINS AND (LOSSES) IN SURPLUS</b>		
22. Net income (from Line 20) .....	(9,028,341)	(8,103,861)
23. Net unrealized capital gains or (losses) .....	(8,301,638)	(5,720,416)
24. Change in net unrealized foreign exchange capital gain (loss) .....		0
25. Change in net deferred income tax .....	15,550,224	29,442,426
26. Change in nonadmitted assets (Exhibit 1, Line 5, Col. 3) .....	(8,187,090)	(10,973,080)
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....	(1,427,626)	0
28. Change in surplus notes .....		0
29. Surplus (contributed to) withdrawn from protected cells .....		
30. Cumulative effect of changes in accounting principles .....		9,000
31. Capital changes:		
31.1. Paid in .....		0
31.2. Transferred from surplus (Stock Dividend) .....		0
31.3. Transferred to surplus .....		0
32. Surplus adjustments:		
32.1. Paid in .....		0
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	22,425,132
37. Change in surplus as regards policyholders for the year (Lines 22 through 36) .....	(11,394,471)	27,079,201
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35) .....	349,720,787	361,115,258
<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.....	142,092	124,934
1402. Sale of non-admitted assets.....		38,534
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) .....	142,092	163,468
3601. Recognition of anticipated salvage and subrogation.....		22,425,132
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	22,425,132

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE MUTUAL CASUALTY COMPANY**

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	743,186,935	609,896,559
2. Loss and loss adjustment expenses paid (net of salvage and subrogation) .....	488,170,584	485,583,580
3. Underwriting expenses paid .....	211,381,908	178,826,563
4. Other underwriting income (expenses) .....	0	0
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	43,634,443	(54,513,584)
6. Net investment income .....	39,752,430	41,343,566
7. Other income (expenses):		
7.1 Agents' balances charged off .....	(4,988,791)	(4,345,247)
7.2 Net funds held under reinsurance treaties .....	0	0
7.3 Net amount withheld or retained for account of others .....	(22,162)	18,340
7.4 Aggregate write-ins for miscellaneous items .....	12,948,676	33,126,169
7.5 Total other income (Lines 7.1 to 7.4) .....	7,937,723	28,799,262
8. Dividends to policyholders on direct business, less \$ ..... dividends on reinsurance assumed or ceded (net) .....	1,630,963	0
9. Federal and foreign income taxes (paid) recovered .....	(5,938,353)	1,361,564
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9) .....	83,755,280	16,990,808
<b>Cash from Investments</b>		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds .....	200,120,438	248,012,211
11.2 Stocks .....	47,084,459	57,137,850
11.3 Mortgage loans .....	0	0
11.4 Real estate .....	917,000	126,803
11.5 Other invested assets .....	381,447	150,718
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) .....	248,503,344	305,427,582
12. Cost of investments acquired (long-term only):		
12.1 Bonds .....	262,423,587	228,086,669
12.2 Stocks .....	58,028,130	91,750,247
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	1,678,180	1,320,474
12.5 Other invested assets .....	957,048	1,271,399
12.6 Miscellaneous applications .....	(92,274)	0
12.7 Total investments acquired (Lines 12.1 to 12.6) .....	322,994,671	322,428,789
13. Net Cash from investments (Line 11.8 minus Line 12.7) .....	(74,491,327)	(17,001,207)
<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 .....	4,307,574	1,747,191
14.4 Borrowed funds received .....	0	0
14.5 Other cash provided .....	192,955	395,827
14.6 Total (Lines 14.1 to 14.5) .....	4,500,529	2,143,018
15. Cash applied:		
15.1 Dividends to stockholders paid .....	0	0
15.2 Net transfers to affiliates .....	0	0
15.3 Borrowed funds repaid .....	0	0
15.4 Other applications .....	945,685	2,619,909
15.5 Total (Lines 15.1 to 15.4) .....	945,685	2,619,909
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5) .....	3,554,844	(476,891)
<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) .....	12,818,797	(487,290)
18. Cash and short-term investments:		
18.1 Beginning of year .....	24,705,397	25,192,687
18.2 End of year (Line 17 plus Line 18.1) .....	37,524,194	24,705,397
<b>DETAILS OF WRITE-INS</b>		
07.401 Miscellaneous Income .....	12,948,676	10,701,037
07.402 Recognition of anticipated salvage and subrogation .....		22,425,132
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) .....	12,948,676	33,126,169

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

Lines of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 2	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire .....	16,075,999	7,213,943	8,398,256	14,891,686
2.	Allied lines .....	8,814,974	3,588,396	4,561,025	7,842,345
3.	Farmowners multiple peril .....	16,129,668	8,044,677	8,446,441	15,727,904
4.	Homeowners multiple peril .....	120,987,153	52,918,585	66,490,702	107,415,036
5.	Commercial multiple peril .....	29,435,232	6,557,451	12,878,399	23,114,284
6.	Mortgage guaranty .....	0	0	0	0
8.	Ocean marine .....	0	0	0	0
9.	Inland marine .....	13,247,784	5,477,079	6,409,637	12,315,226
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 .....	1,600,775	1,791,459	1,940,676	1,451,558
13.	Group accident and health .....	608,487	0	0	608,487
14.	Credit accident and health (group and individual) .....	0	0	0	0
15.	Other accident and health .....	3,382	0	0	3,382
16.	Workers' compensation .....	23,101,253	1,514,472	8,695,334	15,920,391
17.1	Other liability - occurrence .....	22,425,438	8,630,863	10,745,814	20,310,487
17.2	Other liability - claims-made .....	656,652	269,366	313,907	612,111
18.1	Products liability - occurrence .....	2,636,477	951,202	1,310,059	2,277,620
18.2	Products liability - claims-made .....	0	0	0	0
19.1,19.2	Private passenger auto liability .....	266,550,003	59,095,799	69,441,118	256,204,684
19.3,19.4	Commercial auto liability .....	38,715,249	15,290,890	18,361,784	35,644,355
21.	Auto physical damage .....	211,329,649	50,080,051	58,807,487	202,602,213
22.	Aircraft (all perils) .....	0	0	0	0
23.	Fidelity .....	(2)	54	0	52
24.	Surety .....	0	0	0	0
26.	Burglary and theft .....	397,644	157,345	162,337	392,652
27.	Boiler and machinery .....	(40)	926	0	886
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>772,715,777</b>	<b>221,582,558</b>	<b>276,962,976</b>	<b>717,335,359</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 .....	8,398,256				8,398,256
2. Allied lines .....	4,561,025				4,561,025
3. Farmowners multiple peril .....	8,446,441				8,446,441
4. Homeowners multiple peril .....	66,490,702				66,490,702
5. Commercial multiple peril .....	12,878,399				12,878,399
6. Mortgage guaranty .....					0
8. Ocean marine .....					0
9. Inland marine .....	6,409,637				6,409,637
10. Financial guaranty .....					0
11.1 Medical malpractice - occurrence .....					0
11.2 Medical malpractice - claims-made .....					0
12. Earthquake .....	1,940,676				1,940,676
13. Group accident and health .....					0
14. Credit accident and health (group and individual) .....					0
15. Other accident and health .....					0
16. Workers' compensation .....	8,695,334				8,695,334
17.1 Other liability - occurrence .....	10,745,814				10,745,814
17.2 Other liability - claims-made .....	313,907				313,907
18.1 Products liability - occurrence .....	1,310,059				1,310,059
18.2 Products liability - claims-made .....					0
19.1,19.2 Private passenger auto liability .....	69,441,118				69,441,118
19.3,19.4 Commercial auto liability .....	18,361,784				18,361,784
21. Auto physical damage .....	58,807,487				58,807,487
22. Aircraft (all perils) .....					0
23. Fidelity .....					0
24. Surety .....					0
26. Burglary and theft .....	162,337				162,337
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	276,962,976	0	0	0	276,962,976
35. Accrued retrospective premiums based on experience .....					
36. Earned but unbilled premiums .....					
37. Balance (Sum of Line 34 through 36)					276,962,976
<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	19,254,236	472,782	228,960	2,469,524	1,410,455	16,075,999
2. Allied lines	10,300,024	222,874	69,102	1,336,078	440,948	8,814,974
3. Farmowners multiple peril	19,574,254	58,870		2,596,965	906,491	16,129,668
4. Homeowners multiple peril	132,967,507	9,610,173	490,195	16,407,960	5,672,762	120,987,153
5. Commercial multiple peril	17,051,659	13,722,472	30	256,738	1,082,191	29,435,232
6. Mortgage guaranty						0
8. Ocean marine						0
9. Inland marine	14,367,278	1,228,486	19	1,700,677	647,322	13,247,784
10. Financial guaranty						0
11.1 Medical malpractice - occurrence						0
11.2 Medical malpractice - claims-made						0
12. Earthquake	4,319,717	200		306,798	2,412,344	1,600,775
13. Group accident and health	691,462			82,975		608,487
14. Credit accident and health (group and individual)						0
15. Other accident and health		3,843		461		3,382
16. Workers' compensation	5,512,697	17,012,879	189,183	(682,985)	296,491	23,101,253
17.1 Other liability - occurrence	30,557,303	605,542		3,416,348	5,321,059	22,425,438
17.2 Other liability - claims-made	911,842	150		102,852	152,488	656,652
18.1 Products liability - occurrence	3,055,099	62,377		398,199	82,800	2,636,477
18.2 Products liability - claims-made						0
19.1,19.2 Private passenger auto liability	244,407,029	60,823,636	101,045	36,417,667	2,364,040	266,550,003
19.3,19.4 Commercial auto liability	43,593,627	4,870,430		4,717,944	5,030,864	38,715,249
21. Auto physical damage	203,585,964	37,260,559	4,630	27,753,127	1,768,377	211,329,649
22. Aircraft (all perils)						0
23. Fidelity				2		(2)
24. Surety						0
26. Burglary and theft	458,281	1,361		61,998		397,644
27. Boiler and machinery	1,645,491			40	1,645,491	(40)
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	752,253,470	145,956,634	1,083,164	97,343,368	29,234,123	772,715,777
<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 MUTUAL CASUALTY 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	10,152,157	249,763	2,249,849	8,152,071	2,190,708	2,371,417	7,971,362	53.5
2. Allied lines	8,205,256	437,771	948,646	7,694,381	1,941,382	1,121,129	8,514,634	108.6
3. Farmowners multiple peril	17,749,453	43,412	4,964,926	12,827,939	4,505,037	3,028,470	14,304,506	90.9
4. Homeowners multiple peril	106,125,819	5,108,480	29,180,914	82,053,385	24,214,812	20,723,971	85,544,226	79.6
5. Commercial multiple peril	11,100,322	5,297,560	7,374,693	9,023,189	11,878,000	3,947,396	16,953,793	73.3
6. Mortgage guaranty				.0		.0	.0	0.0
8. Ocean marine		227	(31)	258	722	1,351	(371)	0.0
9. Inland marine	5,314,178	266,184	638,261	4,942,101	1,088,547	1,336,056	4,694,592	38.1
10. Financial guaranty				.0	.0	.0	.0	0.0
11.1 Medical malpractice - occurrence		49,472	4,395	45,077	50,669	35,461	60,285	0.0
11.2 Medical malpractice - claims-made				.0	.0	.0	.0	0.0
12. Earthquake		236	(9,026)	9,262	229,892	208,261	30,893	2.1
13. Group accident and health	942,051		99,997	842,054	287,998	300,121	829,931	136.4
14. Credit accident and health (group and individual)				.0	.0	.0	.0	0.0
15. Other accident and health				.0	.0	.0	.0	0.0
16. Workers' compensation	1,687,631	4,534,126	4,055,011	2,166,746	9,601,343	2,931,952	8,836,137	55.5
17.1 Other liability - occurrence	9,904,791	115,550	2,218,274	7,802,067	19,662,556	19,796,481	7,668,142	37.8
17.2 Other liability - claims-made	125,703		(152)	125,855	499,642	350,429	275,068	44.9
18.1 Products liability - occurrence	59,314	23,726	(30,556)	113,596	757,473	931,978	(60,909)	(2.7)
18.2 Products liability - claims-made				.0	.0	.0	.0	0.0
19.1,19.2 Private passenger auto liability	131,533,935	30,538,446	18,898,692	143,173,689	167,988,274	154,914,222	156,247,741	61.0
19.3,19.4 Commercial auto liability	19,538,650	1,550,890	4,895,638	16,193,902	33,819,065	33,074,224	16,938,743	47.5
21. Auto physical damage	123,302,173	22,985,289	21,674,977	124,612,485	4,060,612	1,800,886	126,872,211	62.6
22. Aircraft (all perils)		146	.5	141	791	287	645	0.0
23. Fidelity		2	(147)	149	2,950	3,379	(280)	(538.5)
24. Surety		(299)	(435)	136	30,912	9,168	21,880	0.0
26. Burglary and theft	36,021		2,385	33,636	80,021	44,556	69,101	17.6
27. Boiler and machinery	219,692		219,632	60	.0	1,380	(1,320)	(149.0)
28. Credit				.0	.0	.0	.0	0.0
29. International				.0	.0	.0	.0	0.0
30. Reinsurance - Nonproportional Assumed Property	XXX			.0	.0	.0	.0	0.0
31. Reinsurance - Nonproportional Assumed Liability	XXX			.0	.0	.0	.0	0.0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX			.0	.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	445,997,146	71,200,981	97,385,948	419,812,179	282,891,406	246,932,575	455,771,010	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 MUTUAL CASUALTY COMPANY**

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

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	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	1,503,082	232,768	208,303	1,527,547	746,568	7,024	90,431	2,190,708	1,056,367
2. Allied lines	1,348,566	30,757	165,519	1,213,804	811,320	15,473	99,215	1,941,382	339,502
3. Farmowners multiple peril	2,639,254	2,501	317,011	2,324,744	2,474,186	3,420	297,313	4,505,037	835,233
4. Homeowners multiple peril	13,609,845	1,312,425	1,878,672	13,043,598	12,409,819	284,742	1,523,347	24,214,812	5,784,342
5. Commercial multiple peril	3,243,544	3,077,502	758,525	5,562,521	5,797,564	1,379,117	861,202	11,878,000	3,837,875
6. Mortgage guaranty				0				0	
8. Ocean marine		820	98	722				722	
9. Inland marine	652,439	44,103	83,585	612,957	525,534	14,909	64,853	1,088,547	167,898
10. Financial guaranty				0				0	
11.1 Medical malpractice - occurrence		57,579	6,910	50,669				50,669	
11.2 Medical malpractice - claims-made				0				0	
12. Earthquake		2		2	261,225	14	31,349	229,892	51,907
13. Group accident and health	327,270		39,272	287,998				(a) 287,998	24,683
14. Credit accident and health (group and individual)				0				0	
15. Other accident and health				0				(a) 0	
16. Workers' compensation	2,030,492	3,966,671	1,092,779	4,904,384	1,798,813	3,538,640	640,494	9,601,343	1,379,467
17.1 Other liability - occurrence	11,048,529	210,494	1,879,083	9,379,940	11,451,469	233,322	1,402,175	19,662,556	8,989,217
17.2 Other liability - claims-made	334,734	2,236	40,436	296,534	230,764	40	27,696	499,642	212,055
18.1 Products liability - occurrence	82,099	36,271	14,204	104,166	733,224	9,170	89,087	757,473	549,892
18.2 Products liability - claims-made				0				0	
19.1,19.2 Private passenger auto liability	136,823,711	23,428,652	19,651,364	140,600,999	24,126,652	6,995,251	3,734,628	167,988,274	37,823,702
19.3,19.4 Commercial auto liability	25,001,475	1,652,619	3,814,491	22,839,603	11,082,037	1,394,625	1,497,200	33,819,065	7,034,429
21. Auto physical damage	(2,575,090)	355,504	(266,350)	(1,953,236)	6,526,774	307,144	820,070	4,060,612	2,381,578
22. Aircraft (all perils)		899	108	791				791	
23. Fidelity		3,352	402	2,950				2,950	
24. Surety		35,127	4,215	30,912				30,912	
26. Burglary and theft	(596)		(71)	(525)	91,290	240	10,984	80,021	8,359
27. Boiler and machinery	159,309		224,470	(65,161)	74,047		8,886	0	0
28. Credit				0				0	0
29. International				0				0	0
30. Reinsurance - Nonproportional Assumed Property	XXX			0	XXX			0	0
31. Reinsurance - Nonproportional Assumed Liability	XXX			0	XXX			0	0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX			0	XXX			0	0
33. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0
34. TOTALS	196,228,663	34,450,282	29,913,026	200,765,919	79,141,286	14,183,131	11,198,930	282,891,406	70,476,506
<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 .....	19,100,702			19,100,702
1.2 Reinsurance assumed .....	4,585,652			4,585,652
1.3 Reinsurance ceded .....	2,842,362			2,842,362
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3) .....	20,843,992	0	0	20,843,992
2. Commission and brokerage:				
2.1 Direct excluding contingent .....		122,977,194		122,977,194
2.2 Reinsurance assumed excluding contingent .....		20,203,461		20,203,461
2.3 Reinsurance ceded excluding contingent .....		20,498,155		20,498,155
2.4 Contingent-direct .....		5,280,000		5,280,000
2.5 Contingent-reinsurance assumed .....		1,760,517		1,760,517
2.6 Contingent-reinsurance ceded .....		981,205		981,205
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	128,741,812	0	128,741,812
3. Allowances to managers and agents .....	0	507,768	0	507,768
4. Advertising .....	4,239	3,423,342	34	3,427,615
5. Boards, bureaus and associations .....	264,407	1,063,926	17,925	1,346,258
6. Surveys and underwriting reports .....	10	6,768,701	0	6,768,711
7. Audit of assureds' records .....	0	201,610	0	201,610
8. Salary and related items:				
8.1 Salaries .....	26,239,215	29,555,335	1,311,282	57,105,832
8.2 Payroll taxes .....	1,823,055	2,241,154	51,471	4,115,680
9. Employee relations and welfare .....	6,386,931	8,154,327	172,719	14,713,977
10. Insurance .....	545,321	637,977	11,169	1,194,467
11. Directors' fees .....	225,957	320,144	4,989	551,090
12. Travel and travel items .....	1,632,983	1,609,746	27,139	3,269,868
13. Rent and rent items .....	2,509,447	2,861,365	92,819	5,463,631
14. Equipment .....	1,490,920	2,387,758	172,823	4,051,501
15. Cost or depreciation of EDP equipment and software .....	742,815	654,281	22,431	1,419,527
16. Printing and stationery .....	439,119	1,129,907	26,897	1,595,923
17. Postage, telephone and telegraph, exchange and express .....	2,188,678	5,985,513	204,912	8,379,103
18. Legal and auditing .....	114,673	427,498	13,959	556,130
19. Totals (Lines 3 to 18) .....	44,607,770	67,930,352	2,130,569	114,668,691
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ .....	0	14,816,027		14,816,027
20.2 Insurance department licenses and fees .....		645,144		645,144
20.3 Gross guaranty association assessments .....		266,943		266,943
20.4 All other (excluding federal and foreign income and real estate) .....		99,030		99,030
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....	0	15,827,144	0	15,827,144
21. Real estate expenses .....			2,540,377	2,540,377
22. Real estate taxes .....			476,100	476,100
23. Reimbursements by uninsured accident and health plans .....				0
24. Aggregate write-ins for miscellaneous expenses .....	7,213,229	5,372,268	497,413	13,082,910
25. Total expenses incurred .....	72,664,991	217,871,576	5,644,459	(a) 296,181,026
26. Less unpaid expenses - current year .....	70,476,503	33,009,766	850,420	104,336,689
27. Add unpaid expenses - prior year .....	63,543,567	26,520,098	813,902	90,877,567
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)	65,732,055	211,381,908	5,607,941	282,721,904
<b>DETAILS OF WRITE-INS</b>				
2401. Software Expense .....	2,853,301	2,360,978	48,072	5,262,351
2402. Miscellaneous Expense .....	3,962,383	2,186,957	418,824	6,568,164
2403. Donations .....	175,468	590,543	18,962	784,973
2498. Summary of remaining write-ins for Line 24 from overflow page .....	222,077	233,790	11,555	467,422
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)	7,213,229	5,372,268	497,413	13,082,910

(a) Includes management fees of \$ .....0 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) 2,555,047	2,946,133
1.1 Bonds exempt from U.S. tax	(a) 8,732,543	8,795,914
1.2 Other bonds (unaffiliated)	(a) 25,192,815	24,967,487
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 432,031	432,031
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	1,809,158	1,826,776
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 4,260,419	4,260,419
5. Contract loans		
6. Cash/short-term investments	(e) 950,403	894,306
7. Derivative instruments	(f)	
8. Other invested assets	21,493	21,493
9. Aggregate write-ins for investment income	532,366	532,366
10. Total gross investment income	44,486,275	44,676,925
11. Investment expenses		(g) 5,644,459
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) 468,227
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		6,112,686
17. Net Investment Income - (Line 10 minus Line 16)		38,564,239
<b>DETAILS OF WRITE-INS</b>		
0901. Securities Lending Income	594,744	594,744
0902. Miscellaneous	(62,378)	(62,378)
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)	532,366	532,366
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 \$ 869,432 accrual of discount less \$ 1,743,528 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 \$ 4,109,992 for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ 79,102 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 \$ 468,227 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	354,328				354,328
1.1 Bonds exempt from U.S. tax	69,197				69,197
1.2 Other bonds (unaffiliated)	(2,946,231)	(5,346,701)	2,306,517		(5,986,415)
1.3 Bonds of affiliates					0
2.1 Preferred stocks (unaffiliated)			(115,344)		(115,344)
2.11 Preferred stocks of affiliates					0
2.2 Common stocks (unaffiliated)	(7,365,358)	(9,599,241)	(14,715,496)		(31,680,095)
2.21 Common stocks of affiliates	(21,462)		3,927,014		3,905,552
3. Mortgage loans					0
4. Real estate	142,511				142,511
5. Contract loans					0
6. Cash/Short-term investments					0
7. Derivative instruments					0
8. Other invested assets		(508,339)	295,670		(212,669)
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	(9,767,015)	(15,454,281)	(8,301,639)	0	(33,522,935)
<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 .....	16,154,277	8,715,421	(7,438,856)
2. Other Nonadmitted Assets:			
2.1 Bills receivable .....	0	2,060	2,060
2.2 Furniture, equipment and supplies .....	9,863,697	9,071,883	(791,814)
2.3 Leasehold improvements .....		0	0
2.4 Loans on personal security, endorsed or not .....	953,425	994,945	41,520
3. Total (Lines 2.1 to 2.4) .....	10,817,122	10,068,888	(748,234)
4. Aggregate write-ins for other assets .....	0	0	0
5. Total (Line 1 plus Lines 3 and 4)	26,971,399	18,784,309	(8,187,090)
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 Mutual Casualty 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. The Company owns 100% of the common stock of the following subsidiaries:
  - (a) GrangeAmerica,
  - (b) Grange Indemnity Insurance Company
  - (c) Grange Insurance Company of Michigan
  - (d) Trustgard Insurance Company
  - (e) Grange Life Insurance Company
  - (f) The Grange Bank
- (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

## NOTES TO FINANCIAL STATEMENTS

## 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

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

## 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)	\$45,040,018	\$34,024,293
2. Total of all deferred tax liabilities	\$47,368	\$4,581,867
3. Deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	\$15,263,013	\$8,331,162
4. Total of all deferred tax assets	\$29,729,637	\$21,111,264
5. Increase (decrease) in deferred tax assets nonadmitted	\$6,931,851	\$(432,698)

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	\$9,977,852	\$(210,428)
2. Prior years' capital loss carryback	\$(6,412,771)	\$0
3. Current year's capital loss carryback	\$(3,786,267)	\$0
4. Prior year over accrual of tax reserves	\$0	\$0
5. Current Year Income Taxes	\$(221,186)	\$(210,428)

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	\$664,161,070	\$566,383,618	\$97,777,452	\$34,222,108
7. EDP Equipment	\$2,463,120	\$9,509,567	\$7,046,447	\$2,466,256
8. Bonds	\$613,611,975	\$628,551,138	\$14,939,163	\$5,228,708
9. Premiums in the course of collection	\$140,124,835	\$141,016,099	\$891,264	\$311,942
10. Software	\$0	\$1,059,346	\$1,059,346	\$370,771
11. Stock	\$165,397,314	\$166,680,121	\$1,282,807	\$448,982
12. Accrued deferred compensation	\$5,689,288	\$0	\$5,689,288	\$1,991,251
13. Total DTA's			\$128,685,766	\$45,040,018
14. DTA's nonadmitted			\$43,608,609	\$15,263,013
DTLs				
15. Stock	\$0	\$0	\$0	\$0
16. Depreciable assets	\$0	\$0	\$0	\$0
17. Accrued dividends	\$9,776,391	\$9,641,053	\$135,338	\$47,368
18. Total DTL's			\$135,338	\$47,368

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			
19. Reserves	\$34,222,108	\$28,516,509	\$5,503,400
20. EDP Equipment	\$2,466,256	\$2,466,256	\$0
21. Bonds	\$5,228,708	\$793,784	\$4,434,924
22. Premiums in the course of collection	\$311,942	\$134,491	\$177,451
23. Software	\$370,771	\$319,083	\$51,688
24. Stock	\$448,982	\$0	\$448,982
25. Accrued deferred compensation	\$1,991,251	\$1,794,170	\$197,081
26. Salvage and subrogation	\$0	\$0	\$0
27. Total DTA's	\$45,040,018	\$34,024,293	\$11,015,725
28. DTA's nonadmitted	\$15,263,013	\$8,331,162	\$6,931,851
DTLs resulting from book/tax differences in			
29. Stock	\$0	\$4,540,664	\$(4,540,664)
30. Depreciable assets	\$0	\$0	\$0
31. Accrued dividends	\$47,368	\$41,202	\$6,166
32. Total DTL's	\$47,368	\$4,581,867	\$(4,534,498)

## NOTES TO FINANCIAL STATEMENTS

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

	Amount	Tax Effect
1. Income before taxes	\$(9,249,529)	\$(3,237,335)
2. Book over tax reserves	14,737,925	5,158,274
3. Meals & Entertainment	219,364	76,777
4. Depreciation	(105,447)	(36,917)
5. Accrued market discount	(869,432)	(304,301)
6. Tax exempt interest	(7,324,659)	(2,563,631)
7. Dividends received deduction	(1,171,430)	(410,000)
8. Accrued dividends	(17,618)	(6,166)
9. Software Amortization	1,278,722	447,552
10. Accrued deferred compensation	531,367	185,978
11. Change in post retirement liability	736,319	257,712
12. Capital losses	24,855,468	8,699,414
13. Miscellaneous adjustments	4,887,099	1,710,495
14. Capital loss carryback	<u>(29,140,109)</u>	<u>(10,199,038)</u>
15. Taxable income	<u>\$(631,960)</u>	<u>\$(221,186)</u>

E.

1. The amount of federal income taxes incurred and available for recoupment in the event of future net losses is: current year \$ 9,977,852 ; first preceding year \$0 ; second preceding year \$871,907.

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. Grange Mutual Casualty Company's Federal Income Tax return is consolidated with: GrangeAmerica, Grange Indemnity Insurance, Grange Life Insurance, Northview Insurance Agency, Inc , Trustgard Insurance Company and The Grange Bank. The method of allocation among the companies is subject to the resolution approved by the Board of Directors. Allocation is based upon separate return calculations with allowance for net loss carryovers. Intercompany quarterly tax estimates are due within ten days of notice, but in no event later than the due date. Final annual settlement is made within ten days of payment of balance due or receipt of refund.

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

Subsidiaries, Grange Life Insurance Company, The Grange Bank and G M Premium Budget, Inc., reimburse the parent company, Grange Mutual Casualty Company, for salaries, F.I.C.A., employee relations and welfare, directors' fees, travel, rent, equipment, and printing and stationery monthly.

Subsidiaries, Trustgard Insurance Company, Grange Insurance Company of Michigan and Grange Indemnity Insurance Company reimburses the parent company, Grange Mutual Casualty Company, for salaries, F.I.C.A., and employee relations and welfare monthly. Other expenses and Intercompany receivable and/or payable balances are reimbursed quarterly on an as made basis.

#### 11. DEBT

NONE

#### 12. RETIREMENT PLANS, DEFERRED COMPENSATION, AND POSTRETIREMENT BENEFIT PLANS

A. The Company offers a defined benefit plan (the Plan) in which employees become participants in the Plan on April 1 or October 1 after completion of 1 year of service and attainment of age 21. Under the terms of the Plan, participants are eligible to receive normal retirement benefits upon reaching age 65. A participant may elect an early retirement date at a reduced benefit upon reaching age 55 and completing 5 years of credited service. The normal form of benefits is a life annuity for single participants and a 50% joint and survivor pension for married participants. Optional forms of benefit payments are available at the election of the participant. Under the provisions of the amended and restated Plan, effective April 1, 1989, benefits are determined by applying factors specified in the Plan to a participant's defined average monthly compensation. The terms of the amended and restated Plan provide that participants who were covered under the prior Plan shall receive a benefit at least equal to that determined on the former basis. Complete vesting occurs with the completion of 5 years of credited service. Plan contributions are invested in low risk debt and equity securities.

Effective January 1, 2001, the Company recomputed its pension liabilities for the Plan in accordance with Statement of Statutory Accounting Principles (SSAP) No. 8, *Pensions*. Furthermore, the Company, in accordance with SSAP No. 8, computed an incremental asset of \$660,421 at December 31, 2001 and elected to accrue the incremental asset as a component of net pension cost.

In addition to the Plan, the Company sponsors a defined benefit plan that provides postretirement health care benefits and life insurance (the Postretirement Plan) to full-time employees who meet minimum age and service requirements. The plan is contributory, with retiree contributions

## NOTES TO FINANCIAL STATEMENTS

adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. The accounting for the Postretirement Plan anticipates future cost-sharing changes to the written plan that are consistent with the Company's expressed intent to increase the retiree contribution rate annually for the expected general inflation rate for that year. The Company's policy is to pay the cost of medical benefits with cash flows from operations, therefore, there are no plan assets as of December 31, 2002.

A summary of the assets, obligations and assumptions of the Pension and Other Postretirement Benefit Plans are as follows at December 31, 2002 and 2001:

	Pension Benefits		Postretirement Benefits	
	2002	2001	2002	2001
<b>Change in benefit obligation</b>				
Benefit obligation at end of prior year	\$40,218,181	\$36,266,957	\$14,349,983	\$13,321,964
Service cost	3,294,136	2,075,059	1,270,827	907,482
Interest cost	2,982,455	2,685,616	1,041,064	892,790
Plan participants' contributions	0	0	0	0
Amendments	0	0	(1,417,695)	(1,362,699)
Actuarial (gain) loss	5,972,231	854,239	1,313,267	1,323,683
Disbursements	(1,123,889)	(1,663,690)	(943,768)	(733,237)
Business combinations	0	0	0	0
Divestitures	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Special termination benefits	0	0	0	0
Benefit obligation at end of year	\$51,343,114	\$40,218,181	\$15,613,678	\$14,349,983
<b>Change in plan assets</b>				
Fair value of plan assets at end of prior year	\$35,182,339	\$36,927,378	\$0	\$0
Actual return on plan assets	(2,321,352)	(1,081,349)	0	0
Employer contribution	3,000,000	1,000,000	943,768	733,237
Plan participants' contributions	0	0	0	0
Disbursements	(1,123,889)	(1,663,690)	(943,768)	(733,237)
Business combinations	0	0	0	0
Divestitures	0	0	0	0
Settlements	0	0	0	0
Fair value of plan assets at end of year	\$34,737,098	\$35,182,339	\$0	\$0

The amount of pension obligation for non-vested employees was \$1,335,076 and \$822,445 at December 31, 2002 and December 31, 2001, respectively.

Funded status	(\$16,606,016)	(\$5,035,842)	(\$15,613,678)	(\$14,349,983)
Unrecognized net actuarial (gain) loss	16,385,201	4,886,300	1,313,267	1,323,683
Unrecognized prior service cost	0	0	(2,812,670)	(1,481,781)
Unrecognized initial net (asset) obligation	(792,495)	(856,458)	0	0
Net amount recognized	(\$1,013,310)	(\$1,006,000)	(\$17,113,081)	(\$14,508,081)

Prior to the January 1, 2001 adoption of Codification, the following table sets forth the benefit obligations, fair value of plan assets, and funded status at December 31, 2000 for the respective plans:

	Pension Benefits	Postretirement Benefits
Benefit obligation	\$22,155,605	\$12,957,873
Plan assets at fair value	38,415,829	0
Funded/(unfunded) status	\$16,260,224	(\$12,957,873)

	Pension Benefits		Postretirement Benefits	
	2002	2001	2002	2001
<b>Weighted-average assumptions as of December 31</b>				
Discount rate	6.75%	7.50%	6.75%	7.50%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	4.00%	4.50%	N/A	N/A
Assumed health care cost trend rate:				
Initial rate	N/A	N/A	9.76%	10.20%
Ultimate rate	N/A	N/A	4.72%	4.72%
Declining period	N/A	N/A	9 years	10 years

NOTES TO FINANCIAL STATEMENTS

Components of net periodic benefit cost

Service cost	\$3,294,136	\$2,075,059	\$1,270,827	\$907,482
Interest cost	2,982,455	2,685,616	1,041,064	892,790
Expected return on plan assets	(3,205,318)	(2,950,712)	0	0
Amortization of prior service cost	0	0	(86,806)	(11,891)
Amortization of initial net (asset) obligation	(63,963)	(63,963)	0	0
Adjustment for prior booking	0	0	0	0
Recognized net actuarial (gain) loss	0	0	1,323,683	260,416
Settlement (gain) loss	0	0	0	0
Curtailed (gain) loss	0	0	0	0
Net periodic benefit cost	<u>\$3,007,310</u>	<u>\$1,746,000</u>	<u>\$3,548,768</u>	<u>\$2,048,797</u>

Assumptions used in calculating net periodic pension cost for the Pension Plan or net periodic benefit cost for the Postretirement Plan were as follows:

	Pension Benefits		Postretirement Benefits	
	2002	2001	2002	2001
Discount rate	7.50%	7.50%	7.50%	7.00%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	4.50%	4.50%	N/A	N/A
Assumed health care cost trend rate:				
Initial rate	N/A	N/A	10.20%	9.34%
Ultimate rate	N/A	N/A	4.72%	4.77%
Declining period	N/A	N/A	10 years	15 years

Prior to the January 1, 2001 adoption of Codification, the following table sets forth the benefit obligations, fair value of plan assets, and funded status at December 31, 2000 for the respective plans:

	Pension Benefits	Postretirement Benefits
Benefit cost	\$1,698,913	\$1,464,061
Employer contributions	3,000,000	0
Plan participants' contributions	0	0
Benefits paid	<u>1,531,522</u>	<u>572,728</u>

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase		1-Percentage-Point Decrease	
Effect on total of service and interest cost components	\$336,052	\$290,996	(\$313,282)	(\$238,068)
Effect on postretirement benefit obligation	1,856,839	1,481,798	(1,562,834)	(1,264,945)

B. In addition to the plans described in the preceding paragraphs, the Company offers a defined contribution plan in which employees become participants after attaining age 21 with one year of service. A participant may authorize payroll deductions ranging from 1% to 12% (in 1% increments) of base salary as a basic contribution (before-tax contribution), subject to certain limitations as defined by the defined contribution plan. A participant may elect an additional contribution (after-tax contribution) of 1% to 16% (in 1% increments) of base salary (subject to certain defined limitations). The total percentage of both basic contributions and additional contributions shall not exceed 16%. The Company contributes 50% of each participant's basic contribution that does not exceed 6% of compensation. Such contributions were \$1,294,603 and \$1,198,473 in 2002 and 2001, respectively.

The defined contribution plan also provides that additional employer contributions (as defined) may be made in such amounts as determined by the Company's Board of Directors. Only participants who have made basic contributions during such accounting year (as defined) and have a basic contribution account on the last day of such accounting year are eligible to receive the additional employer contribution. Additional employer contributions are made in proportion to basic contributions made by eligible participants, less withdrawals. There were no additional employer contributions accrued in 2002 or 2001.

All contributions, including employee, employer and additional employer contributions are 100% vested at all times.

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUSAI-REORGANIZATIONS  
NONE

14. CONTINGENCIES

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

15. LEASES

Leases are limited to branch claims office facilities and certain office equipment. None of the leases are material to the Company.

NOTES TO FINANCIAL STATEMENTS

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. GAINS 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

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	\$51,461,504	\$8,748,455	\$37,767,678	\$6,420,505	\$13,693,826	\$2,327,950
b. All Other	<u>497,394</u>	<u>84,577</u>	<u>5,563,519</u>	<u>945,798</u>	<u>(5,066,125)</u>	<u>(861,241)</u>
c. TOTAL	<u>\$51,958,898</u>	<u>\$8,883,012</u>	<u>\$43,331,197</u>	<u>\$7,366,303</u>	<u>\$8,627,701</u>	<u>\$1,466,709</u>
d. Direct Unearned Premium Reserve	\$268,335,275					

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

	Direct	Assumed	Ceded	Net
(2). Contingent Commission	\$5,280,000	\$1,760,517	\$981,205	\$6,059,312

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.

## NOTES TO FINANCIAL STATEMENTS

### 25. INTERCOMPANY POOLING AGREEMENTS

		NAIC#	Pool 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

The Company is contingently liable for annuity payments in the present value amount of \$63,184.

### 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 .....	19,236,789	2.299	19,236,789	2.299
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 .....	46,560,325	5.565	46,560,325	5.565
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....	365,442	0.044	365,442	0.044
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....	14,726,330	1.760	14,726,330	1.760
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....	79,487,388	9.501	79,487,388	9.501
1.43 Revenue and assessment obligations .....	81,174,964	9.703	81,174,964	9.703
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 .....	24,500,970	2.928	24,500,970	2.928
1.512 Issued by FNMA and FHLMC .....	8,578,350	1.025	8,578,350	1.025
1.513 Privately issued .....	2,561,896	0.306	2,561,896	0.306
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....	24,692,816	2.951	24,692,816	2.951
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 .....	53,185,750	6.357	53,185,750	6.357
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	258,540,956	30.902	258,540,956	30.902
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 .....	11,909,171	1.423	11,909,171	1.423
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....	2,133,656	0.255	2,133,656	0.255
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....	83,162,280	9.940	83,162,280	9.940
3.4 Other equity securities:				
3.41 Affiliated .....	67,505,415	8.069	67,505,415	8.069
3.42 Unaffiliated .....	22,566	0.003	22,566	0.003
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 .....	17,068,431	2.040	17,068,431	2.040
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 .....	37,524,194	4.485	37,524,194	4.485
9. Other invested assets .....	3,701,256	0.442	3,701,256	0.442
10. Total invested assets	836,638,944	100.000	836,638,944	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; .....
- 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	[ ]	[ ]	[ ]	[ ]
Common	0	0	0.000	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	\$ 55,896,760
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.....
State Street Bank & Trust Co.....	801 Pennsylvania Ave., Kansas City, MO 64195.....
Nations Funds.....	PO Box 34602, Charlotte, NC 28254.....
The Vanguard Group.....	455 Devon Park Dr., Wayne, PA 19087.....

## 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 [ X ] No [ ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
	Nations Funds.....	05/14/2002.....	Purchase of Mutual Funds.....
	The Vanguard Group.....	05/13/2002.....	Purchase of Mutual Funds.....

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
105377.....	Loomis Sayles & Company, L.P.....	One Financial Center, Boston, MA 02111..... Two International Place, Boston, MA 02110
111242.....	State Street Global Advisors.....	Two International Place, Boston, MA 02110..... 4350 Executive Dr., Suite 125, San Diego, CA
109627.....	Caywood-Scho11 Capital Management, LLC.....	92121.....

### OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$.....1,281,950

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
Insurance Services Offices, Inc.....	\$.....428,182
	\$.....
	\$.....

24.1 Amount of payments for legal expenses, if any?..... \$.....201,201

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
Vorys, Sater, Seymour and Pease.....	\$.....121,480
	\$.....
	\$.....

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....364

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	\$ .....	\$ .....	\$ .....	\$ .....
15.12 Products .....	\$ .....0	\$ .....	\$ .....	\$ .....	\$ .....
15.13 Automobile .....	\$ .....0	\$ .....	\$ .....	\$ .....	\$ .....
15.14 Other* .....	\$ .....0	\$ .....	\$ .....	\$ .....	\$ .....

\* Disclose type of coverage:

## ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE MUTUAL CASUALTY 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)	411,702,839	319,114,756	273,216,726	266,834,919	276,586,928
2. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	291,774,473	241,135,235	206,931,917	193,287,641	191,345,127
3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	195,120,651	145,517,248	132,063,672	124,330,436	119,456,841
4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	695,305	1,082,181	1,050,646	968,452	920,592
5. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)	0	0	0	38	0
6. Total (Line 34)	899,293,268	706,849,420	613,262,961	585,421,486	588,309,488
<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)	354,085,072	282,550,301	249,774,468	244,961,989	254,724,354
8. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	251,466,825	216,989,681	191,226,117	178,482,060	178,018,856
9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	166,552,013	127,703,129	119,810,277	113,251,240	108,917,572
10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	611,867	995,607	987,607	910,345	865,357
11. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)	0	0	0	36	0
12. Total (Line 34)	772,715,777	628,238,718	561,798,469	537,605,670	542,526,139
<b>Statement of Income</b> (Page 4)					
13. Net Underwriting Gain (Loss) (Line 8)	(28,972,218)	(33,373,661)	(56,534,776)	(4,412,666)	(19,552,527)
14. Net Investment Gain (Loss) (Line 11)	13,342,943	18,666,949	47,012,245	51,833,174	51,158,988
15. Total Other Income (Line 15)	8,010,711	6,392,423	5,131,837	4,093,156	3,345,405
16. Dividends to Policyholders (Line 17)	1,630,963	0	0	0	0
17. Federal and Foreign Income Taxes Incurred (Line 19)	(221,186)	(210,428)	871,907	16,603,324	10,154,451
18. Net Income (Line 20)	(9,028,341)	(8,103,861)	(5,262,601)	34,910,340	24,797,415
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total Admitted Assets excluding Protected Cell (Page 2, Line 26, Col. 3)	1,036,181,121	930,111,380	905,936,972	887,006,549	835,682,601
20. Agents' Balances or Uncollected Premiums (Page 2, Col. 3)					
20.1 In Course of Collection (Line 10.1)	129,951,730	110,486,070	92,506,749	84,144,085	82,819,000
20.2 Deferred and not yet due (Line 10.2)	14,626,317	616,927	474,815	414,267	412,174
20.3 Accrued Retrospective Premiums (Line 10.3)	0	0	0	0	0
21. Total Liabilities excluding Protected Cell (Page 3, Line 24)	686,460,334	568,996,121	571,900,915	520,238,085	521,369,822
22. Losses (Page 3, Lines 1 and 2)	282,891,406	246,932,575	260,699,808	234,936,373	233,172,832
23. Loss Adjustment Expenses (Page 3, Line 3)	70,476,506	63,543,567	59,601,531	55,364,508	53,161,552
24. Unearned premiums (Page 3, Line 9)	276,962,976	221,582,558	194,835,938	180,519,973	182,443,656
25. Capital Paid Up (Page 3, Lines 28 & 29)	0	0	0	0	0
26. Surplus as Regards Policyholders (Page 3, Line 35)	349,720,787	361,115,259	334,036,057	366,768,464	314,312,779
<b>Risk-Based Capital Analysis</b>					
27. Total Adjusted Capital	349,720,787	361,115,259	334,036,057	366,768,464	314,312,779
28. Authorized Control Level Risk-Based Capital	65,072,584	57,314,414	59,124,526	51,524,966	52,799,421
<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)	73.3	71.1	72.8	73.5	77.2
30. Stocks (Lines 2.1 & 2.2)	19.7	23.2	21.7	22.1	18.4
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)	2.0	2.1	2.0	1.9	2.0
33. Cash and Short-Term Investments (Line 5)	4.5	3.2	3.2	2.5	2.4
34. Other Invested Assets (Line 6)	0.4	0.4	0.3	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)	67,505,415	58,741,401	43,687,377	43,022,017	32,060,878
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	67,505,415	58,741,401	43,687,377	43,022,017	32,060,878
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)	19.3	16.3	13.1	11.7	10.2

## 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) .....	(8,301,638)	(5,720,416)	(28,967,101)	18,207,063	9,748,499
47. Dividends to Stockholders (Line 34) .....	0	0	0	0	0
48. Change in surplus as regards policyholders for the year (Line 37) .....	(11,394,471)	27,079,201	(32,732,407)	52,455,685	35,048,899
<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) .....	199,662,234	177,157,398	160,393,874	154,311,949	170,200,628
50. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	170,949,028	152,991,549	127,656,361	113,753,147	119,824,450
51. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....	145,645,111	108,936,495	96,795,889	86,565,553	87,196,314
52. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	941,754	1,584,194	1,609,974	1,458,554	1,179,100
53. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....	0	0	0	0	0
54. Total (Line 34) .....	517,198,127	440,669,636	386,456,098	356,089,203	378,400,492
<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) .....	169,620,932	164,576,772	146,881,047	142,181,547	156,272,925
56. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	145,443,936	140,116,939	119,635,107	106,837,618	111,229,236
57. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....	103,904,972	95,158,986	89,385,322	79,041,898	77,952,883
58. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	842,339	1,466,026	1,513,375	1,371,041	1,108,354
59. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....	0	0	0	0	0
60. Total (Line 34) .....	419,812,179	401,318,723	357,414,851	329,432,104	346,563,398
<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) .....	27.2	28.2	28.2	28.6	27.8
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) .....	221.0	174.0	168.2	146.6	172.6
<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) .....	(20,992)	(48,936)	(29,303)	(45,501)	(41,062)
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) .....	(5.8)	(14.6)	(8.0)	(14.5)	(14.7)
<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) .....	(39,412)	(38,671)	(41,601)	(49,160)	(34,476)
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) .....	(11.8)	(10.5)	(13.2)	(17.6)	(13.8)

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE MUTUAL CASUALTY COMPANY**

**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 ..... 45,737,756 2. Canada ..... 0 3. Other Countries ..... 0 4. Totals ..... 45,737,756	47,509,761 0 0 47,509,761	47,128,215 0 0 47,128,215	44,873,599 0 0 44,873,599
States, Territories and Possessions (Direct and guaranteed)	5. United States ..... 14,726,331 6. Canada ..... 0 7. Other Countries ..... 0 8. Totals ..... 14,726,331	14,726,331 0 0 14,726,331	14,809,515 0 0 14,809,515	13,955,000 0 0 13,955,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States ..... 79,487,387 10. Canada ..... 0 11. Other Countries ..... 0 12. Totals ..... 79,487,387	79,586,423 0 0 79,586,423	79,703,203 0 0 79,703,203	77,855,000 0 0 77,855,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States ..... 159,006,452 14. Canada ..... 0 15. Other Countries ..... 0 16. Totals ..... 159,006,452	160,265,950 0 0 160,265,950	159,577,223 0 0 159,577,223	159,203,147 0 0 159,203,147
Public Utilities (unaffiliated)	17. United States ..... 48,376,665 18. Canada ..... 0 19. Other Countries ..... 0 20. Totals ..... 48,376,665	49,807,347 0 0 49,807,347	48,680,054 0 0 48,680,054	48,585,000 0 0 48,585,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States ..... 265,911,942 22. Canada ..... 0 23. Other Countries ..... 365,442 24. Totals ..... 266,277,384	278,760,099 0 389,948 279,150,047	267,654,286 0 368,313 268,022,599	266,006,240 0 350,000 266,356,240
Parent, Subsidiaries and Affiliates	25. Totals ..... 0 26. <b>Total Bonds</b> ..... 613,611,975	0 631,045,859	0 617,920,809	0 610,827,986
<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 ..... 2,133,656 32. Canada ..... 0 33. Other Countries ..... 0 34. Totals ..... 2,133,656	2,133,656 0 0 2,133,656	2,250,000 0 0 2,250,000	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> ..... 2,133,656	0 2,133,656	0 2,250,000	0 0
<b>COMMON STOCKS</b>				
Public Utilities (unaffiliated)	41. United States ..... 3,239,319 42. Canada ..... 0 43. Other Countries ..... 0 44. Totals ..... 3,239,319	3,239,319 0 0 3,239,319	3,435,950 0 0 3,435,950	0 0 0 0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States ..... 16,751,183 46. Canada ..... 0 47. Other Countries ..... 0 48. Totals ..... 16,751,183	16,751,183 0 0 16,751,183	17,365,994 0 0 17,365,994	0 0 0 0
Industrial and Miscellaneous (unaffiliated)	49. United States ..... 75,103,515 50. Canada ..... 0 51. Other Countries ..... 0 52. Totals ..... 75,103,515	75,103,515 0 0 75,103,515	77,676,792 0 0 77,676,792	0 0 0 0
Parent, Subsidiaries and Affiliates	53. Totals ..... 67,505,415 54. <b>Total Common Stocks</b> ..... 162,599,432	67,505,415 162,599,432	39,128,318 137,607,054	0 0
	55. <b>Total Stocks</b> ..... 164,733,088 56. <b>Total Bonds and Stocks</b> ..... 778,345,063	164,733,088 795,778,947	139,857,054 757,777,863	0 0

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ .....338,479,973 .

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

1. Book/adjusted carrying value of bonds and stocks, prior year ..... 739,425,115	6. Foreign Exchange Adjustment:
2. Cost of bonds and stocks acquired, Column 6, Part 3 ..... 320,451,717	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 ..... (3,413,108)	6.3 Column 11, Part 2, Sec. 2 ..... 0
3.2 Column 12, Part 2, Sec. 1 ..... (115,344)	6.4 Column 11, Part 4 ..... 0
3.3 Column 10, Part 2, Sec. 2 ..... (15,244,655)	7. Book/adjusted carrying value at end of current period ..... 778,345,063
3.4 Column 10, Part 4 ..... (5,644,239) ..... (24,417,346)	8. Total valuation allowance ..... 0
4. Total gain (loss), Col. 14, Part 4 ..... (9,909,526)	9. Subtotal (Lines 7 plus 8) ..... 778,345,063
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 ..... 247,204,897	10. Total nonadmitted amounts ..... 0
	11. Statement value of bonds and stocks, current period ..... 778,345,063

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE GRANGE MUTUAL CASUALTY 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	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	XXX	XXX	XXX	260	34	192	10	7	0	61	414	XXX
2. 1993	334,725	9,371	325,353	208,677	3,169	10,263	22	20,481	0	9,754	236,231	XXX
3. 1994	368,745	10,526	358,219	261,015	7,875	12,444	324	21,952	1	11,664	287,211	XXX
4. 1995	404,285	11,121	393,164	264,624	3,602	11,845	(133)	21,466	5	13,345	294,460	XXX
5. 1996	446,455	10,969	435,486	310,594	6,152	13,323	222	24,829	1	14,114	342,371	XXX
6. 1997	493,797	12,736	481,061	319,776	9,964	11,986	150	25,854	32	14,714	347,469	XXX
7. 1998	536,577	15,653	520,924	357,408	18,704	10,165	276	36,514	448	15,454	384,659	XXX
8. 1999	548,318	18,154	530,164	328,476	11,622	9,864	115	40,592	101	16,353	367,093	XXX
9. 2000	565,027	21,539	543,488	362,440	13,941	7,028	173	42,151	332	18,215	397,174	XXX
10. 2001	635,226	25,136	610,091	356,367	18,651	3,296	36	44,051	166	16,076	384,861	XXX
11. 2002	745,791	28,455	717,335	324,576	24,321	1,355	0	42,477	33	8,334	344,054	XXX
12. Totals	XXX	XXX	XXX	3,094,214	118,036	91,761	1,196	320,373	1,119	138,084	3,385,997	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	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded					
1.	1,426	491	568	30	60	0	0	31	1	15	1,565	XXX	
2.	2,060	1,909	249	62	21	0	71	5	18	0	443	XXX	
3.	467	0	243	64	56	0	27	1	36	0	763	XXX	
4.	509	0	205	55	88	0	45	2	71	1	860	XXX	
5.	1,845	111	161	49	295	0	25	1	89	1	2,253	XXX	
6.	3,308	80	218	65	411	0	50	2	163	1	4,002	XXX	
7.	6,091	432	207	62	901	0	119	7	382	2	7,197	XXX	
8.	13,580	1,384	313	83	1,805	0	341	16	750	4	15,301	XXX	
9.	28,388	3,303	7,406	266	3,479	0	1,646	33	1,902	10	39,210	XXX	
10.	44,114	1,518	15,064	519	5,909	0	2,840	119	4,065	18	69,818	XXX	
11.	109,310	1,746	60,912	1,523	14,370	0	11,530	236	19,414	74	18,758	211,957	XXX
12. Totals	211,097	10,973	85,546	2,778	27,396	0	16,693	423	26,922	111	25,551	353,368	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	1,474	91
2.	241,841	5,167	236,674	72.3	55.1	72.7	0	0	96.0	338	105
3.	296,240	8,266	287,974	80.3	78.5	80.4	0	0	96.0	646	117
4.	298,852	3,532	295,320	73.9	31.8	75.1	0	0	96.0	659	201
5.	351,162	6,537	344,624	78.7	59.6	79.1	0	0	94.0	1,846	408
6.	361,766	10,295	351,471	73.3	80.8	73.1	0	0	94.0	3,381	621
7.	411,786	19,931	391,855	76.7	127.3	75.2	0	0	94.0	5,804	1,393
8.	395,720	13,326	382,394	72.2	73.4	72.1	0	0	94.0	12,425	2,876
9.	454,441	18,057	436,384	80.4	83.8	80.3	0	0	94.0	32,225	6,985
10.	475,705	21,027	454,679	74.9	83.7	74.5	0	0	92.0	57,141	12,676
11.	583,944	27,933	556,011	78.3	98.2	77.5	0	0	88.0	166,953	45,004
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	282,891	70,477

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 MUTUAL CASUALTY 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	89,391	88,643	83,352	83,774	83,054	82,667	81,831	82,185	82,064	82,247	183	62
2. 1993	232,700	219,300	219,000	215,229	215,886	215,688	215,528	215,875	215,888	216,175	287	300
3. 1994	XXX	291,218	271,982	272,306	267,751	267,068	266,225	265,933	265,538	265,987	449	54
4. 1995	XXX	XXX	303,670	279,030	278,993	273,654	273,235	274,006	273,749	273,790	41	(217)
5. 1996	XXX	XXX	XXX	349,510	324,545	325,280	320,295	319,896	318,968	319,708	740	(188)
6. 1997	XXX	XXX	XXX	XXX	364,549	328,750	328,614	324,197	323,811	325,487	1,675	1,289
7. 1998	XXX	XXX	XXX	XXX	XXX	389,314	354,265	360,833	355,818	355,410	(409)	(5,423)
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	377,628	346,611	343,812	341,157	(2,655)	(5,454)
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	422,507	385,432	392,672	7,240	(29,835)
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	435,289	406,746	(28,543)	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	494,227	XXX	XXX
<b>12. Totals</b>											<b>(20,992)</b>	<b>(39,412)</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	40,629	64,611	73,268	76,933	78,662	79,486	80,135	80,305	80,713	XXX	XXX
2. 1993	128,365	171,014	192,357	205,564	211,270	213,844	214,978	215,751	215,708	215,750	XXX	XXX
3. 1994	XXX	158,143	213,063	238,474	253,270	260,719	263,749	264,426	264,677	265,260	XXX	XXX
4. 1995	XXX	XXX	167,732	226,694	247,582	262,382	268,327	271,763	272,434	273,000	XXX	XXX
5. 1996	XXX	XXX	XXX	206,644	269,057	293,210	306,344	312,673	315,482	317,543	XXX	XXX
6. 1997	XXX	XXX	XXX	XXX	215,464	274,864	297,234	311,113	317,512	321,647	XXX	XXX
7. 1998	XXX	XXX	XXX	XXX	XXX	237,601	297,695	323,267	339,116	348,593	XXX	XXX
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	225,293	285,579	308,900	326,602	XXX	XXX
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	255,012	326,189	355,355	XXX	XXX
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	270,138	340,976	XXX	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	301,610	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	12,605	5,947	1,226	810	639	745	688	667	611	539
2. 1993	27,033	8,136	4,746	247	64	40	35	20	21	253
3. 1994	XXX	28,665	9,098	5,519	274	102	87	55	41	204
4. 1995	XXX	XXX	34,151	9,706	5,588	159	151	81	63	193
5. 1996	XXX	XXX	XXX	35,182	10,046	5,509	272	121	65	136
6. 1997	XXX	XXX	XXX	XXX	36,949	9,774	6,595	271	152	201
7. 1998	XXX	XXX	XXX	XXX	XXX	38,742	11,301	6,584	321	257
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	46,224	11,874	7,693	554
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	49,826	14,022	8,752
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	60,096	17,266
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	70,683

**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	Yes	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	20,525	20,525	342,000	0	0
11. Georgia	GA	Yes	81,078,112	75,872,546	44,801,275	51,357,990	29,370,576	1,273,179	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	39,717,573	36,589,737	20,146,302	23,165,582	15,505,519	650,130	0
15. Indiana	IN	Yes	41,425,433	37,205,842	22,580,000	27,158,050	14,239,615	704,495	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	97,742,926	92,322,428	76,136,279	74,535,908	32,613,334	1,487,120	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	428,949,362	411,044,120	251,594,953	258,429,271	158,313,947	7,833,106	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	63,340,064	58,996,229	30,717,811	36,141,688	24,984,957	909,380	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) 13		752,253,470	712,030,902	445,997,145	470,809,014	275,369,948	12,857,410	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