Changes made to Footnote 25 - Changes in Incurred Losses and Loss Adjustment Expenses, adjusting breakout of Current Year and Prior Year for both Total Incurred and Total Paid in 2011. Also updated the related amounts in the preceding paragraph.

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PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

ANNUAL STATEMENT

For the Year Ended December 31, 2011

OF THE CONDITION AND AFFAIRS OF THE

TRUSTGARD INSURANCE COMPANY

NAIC Group Code 00267 (Current Period), 00267 (Prior Period) NAIC Company Code 40118 Employer's ID Number 41-1405571

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

Country of Domicile United States

Incorporated/Organized 07/01/1981 Commenced Business 11/10/1981

Statutory Home Office 671 South High Street (Street and Number), Columbus, OH 43206-1014 (City or Town, State and Zip Code)

Main Administrative Office 671 South High Street (Street and Number) Columbus, OH 43206-1014 (City or Town, State and Zip Code) 614-445-2900 (Area Code) (Telephone Number)

Mail Address 671 South High 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 671 South High Street (Street and Number) Columbus, OH 43206-1014 (City or Town, State and Zip Code) 614-445-2900 (Area Code) (Telephone Number)

Internet Web Site Address www.grangeinsurance.com

Statutory Statement Contact David Sidney Ackermann (Name) 614-445-2900 (Area Code) (Telephone Number) (Extension)

ackermannd@grangeinsurance.com (E-Mail Address) 614-449-3757 (Fax Number)

OFFICERS

Name	Title	Name	Title
THOMAS HOWARD WELCH	PRESIDENT & CEO	DAVID TRUFANT ROARK	VP & SECRETARY
JOHN PAUL MCCAFFREY	VP & CFO		

OTHER OFFICERS

JOHN CHRISTOPHER MONTGOMERY	VP - INVESTMENTS		

DIRECTORS OR TRUSTEES

DOUGLAS PAUL BUTH	GLENN EUGENE CORLETT	ELWOOD GORDON GEE	ROBERT ENLOW HOYT #
JOHN PAUL MCCAFFREY #	ROBERT JOHN O'BRIEN	MICHAEL VERNE PARROTT	MARY MARNETTE PERRY
MELVIN GEORGE PYE JR	THOMAS SIMRALL STEWART	PHILIP WAYNE STICHTER	THOMAS HOWARD WELCH
DAVID CHARLES WETMORE			

State of Ohio
ss
County of Franklin

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. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

THOMAS HOWARD WELCH	LAVAWN DEE COLEMAN	JOHN PAUL MCCAFFREY
PRESIDENT & CEO	VP & SECRETARY	VP & CFO

Subscribed and sworn to before me this 15th day of June, 2012

Teresa J. Burchwell, Notary Public
April 28, 2012

a. Is this an original filing? Yes [ ] No [X]
b. If no:
1. State the amendment number 1
2. Date filed 06/15/2012
3. Number of pages attached 8

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

A. Accounting Practices

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Ohio. The State of Ohio requires 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. The Company does not employ accounting practices that depart from the NAIC Accounting Practices and Procedures Manual.

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 changed to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the company uses the following accounting policies:

(1) Short-term investments are stated at amortized cost.

(2) Bonds not backed by other loans are stated at amortized cost using the interest method.

(3) Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20 % or more are carried on the equity basis.

(4) Preferred stocks are stated at cost.

(5) Mortgage loans on real estate are stated at the aggregate carrying value less accrued interest.

(6) Loan-backed securities are stated at either amortized cost or the lower or 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 no investments in subsidiaries, controlled and affiliated entities.

(8) The company has no ownership interests in joint ventures, partnerships and limited liability companies.

(9) All derivatives are stated at fair value.

(10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts - Premiums.

(11) 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.

(12) The Company has not modified its capitalization policy from the prior period

(13) The Company does not have pharmaceutical rebate receivables.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

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, 2011.

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

1) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from Hub Data and Bloomberg. These assumptions are consistent with the current interest rate and economic environment.
2) NONE
3)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized Other-Than-Temporary Impairment for the Current Period	Amortized Cost After Other-Than Temporary Impairment	Fair Value at end of Current Period	Date of Financial Statement – End of Period
NONE						

4) As impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains:

a.

Aggregate Amount of Unrealized Losses:	
1 Less than 12 Months	0
2 Greater than 12 Months	0

b.

The aggregate related fair value of securities with unrealized losses:	
1 Less than 12 Months	0
2 Greater than 12 Months	0

5) According to SSAP 43R, loan-backed and structured securities with an unrealized loss position were reviewed according to the pronouncement that became effective on 9/30/09. The best estimate of future cash flows using the appropriate discount rate was calculated for each affected security, with other-than-temporary impairments realized to the extent that present value was less than amortized cost. Securities with a present value greater than amortized cost were not other-than-temporarily impaired.

E. REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS

1. NONE
2. NONE
3. AGGREGATE AMOUNT CASH COLLATERAL RECEIVED

Securities Lending Collateral Received

	Fair Value
Open	2,881,775
Securities Received	17,096
Total Collateral Received	2,898,871

4. NONE
5. COLLATERAL REINVESTMENT

Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	2,881,832	2,881,844
Securities Received	17,096	17,096
Total Collateral Reinvested	2,898,928	2,898,940

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES
NONE

7. INVESTMENT INCOME

NONE EXCLUDED

8. DERIVATIVE INSTRUMENTS
NONE

NOTES TO FINANCIAL STATEMENTS

9. FEDERAL INCOME TAXES

A. Components of deferred tax assets (DTAs) and deferred tax liabilities (DTLs):

(1) DTA/DTL Components

	Description	2011 Ordinary	2011 Capital	2011 Total	2010 Ordinary	2010 Capital	2010 Total	Change Ordinary	Change Capital	Change Total
(a)	Gross deferred tax assets	1,429,620	0	1,429,620	1,488,953	29,982	1,518,935	(59,333)	(29,982)	(89,314)
(b)	Statutory valuation allowance adjustment (enter as "-")	0	0	0	0	0	0	0	0	0
(c)	Adjusted gross deferred tax assets	1,429,620	0	1,429,620	1,488,953	29,982	1,518,935	(59,333)	(29,982)	(89,314)
(d)	Gross deferred tax liabilities	(64,741)	0	(64,741)	(73,162)	(0)	(73,162)	8,421	0	8,421
(e)	Net deferred tax asset/(liability) before admissibility test	1,364,879	0	1,364,879	1,415,791	29,981	1,445,772	(50,912)	(29,981)	(80,893)
(f)	Deferred tax assets nonadmitted	(10,094)	0	(10,094)	(5,188)	(29,981)	(35,169)	(4,906)	29,981	25,075
(g)	Net admitted deferred tax asset/(liability)	1,354,785	(0)	1,354,785	1,410,603	0	1,410,603	(55,818)	(0)	(55,818)

		2011	2010
(2)	Has the Company elected to admit DTAs pursuant to paragraph 10.e.? ("Y" for yes or "N" for no)	Y	Y

(3) Increase in admitted adjusted gross DTAs as the result of the application of paragraph 10.e.:

Description	2011 Ordinary	2011 Capital	2011 Total	2010 Ordinary	2010 Capital	2010 Total	Change Ordinary	Change Capital	Change Total
With ¶ 10.e.	1,354,785	0	1,354,785	1,410,603	(0)	1,410,603	(55,818)	0	(55,817)
With ¶s 10.a.-c.	1,167,114	0	1,167,114	1,213,995	0	1,213,995	(46,881)	0	(46,881)
Increase attributable to application of ¶ 10.e.	187,671	0	187,671	196,608	(0)	196,608	(8,937)	0	(8,937)

(4) Admission calculation components:

	Description	2011 Ordinary	2011 Capital	2011 Total	2010 Ordinary	2010 Capital	2010 Total	Change Ordinary	Change Capital	Change Total
	Admission calculation under ¶10.a.-¶10.c.									
(a)	Admitted pursuant to ¶10.a.	1,167,114	0	1,167,114	1,213,995	0	1,213,995	(46,881)	0	(46,881)
(b)	Admitted pursuant to ¶10.b.(lesser of i. or ii.)	0	0	0	0	0	0	0	0	0
(c)	¶10.b.i.	0	0	0	0	0	0	N/A	N/A	0
(d)	¶10.b.ii.	N/A	N/A	4,349,356	N/A	N/A	3,824,640	N/A	N/A	524,717
(e)	Admitted pursuant to ¶10.c.	64,741	0	64,741	73,162	0	73,162	(8,421)	(0)	(8,421)
(f)	Total admitted under ¶¶10.a.-10.c.	1,231,856	0	1,231,856	1,287,157	0	1,287,157	(55,301)	(0)	(55,302)
	Deferred tax liabilities	(64,741)	0	(64,741)	(73,162)	(0)	(73,162)	8,421	0	8,421
	Net admitted deferred tax asset/liability under ¶10.a.-¶10.c.	1,167,114	0	1,167,114	1,213,995	0	1,213,995	(46,881)	0	(46,881)
	Admission calculation under ¶10.e.i.-10.e.iii.									
(g)	Admitted pursuant to ¶10.e.i.	1,260,958	0	1,260,958	1,312,308	(0)	1,312,308	(51,350)	0	(51,349)
(h)	Admitted pursuant to ¶10.e.ii. (lesser of a. or b.)	93,827	0	93,827	98,295	0	98,295	(4,468)	0	(4,468)
(i)	¶10.e.ii.a..	93,827	0	93,827	98,295	0	98,295	N/A	N/A	(4,468)
(j)	¶10.e.ii.b.	N/A	N/A	6,524,034	N/A	N/A	5,736,960	N/A	N/A	787,075
(k)	Admitted pursuant to ¶10.e.iii.	64,741	0	64,741	73,162	0	73,162	(8,421)	(0)	(8,421)
(l)	Total admitted under ¶10.e.i.-10.e.iii.	1,419,527	0	1,419,527	1,483,765	0	1,483,765	(64,238)	(0)	(64,238)
	Deferred tax liabilities	(64,741)	0	(64,741)	(73,162)	(0)	(73,162)	8,421	0	8,421
	Net admitted deferred tax asset/liability under ¶10.e.	1,354,785	0	1,354,785	1,410,603	(0)	1,410,603	(55,818)	0	(55,817)
	Used in ¶10.d.									
(m)	Total adjusted capital	N/A	N/A	45,441,899	N/A	N/A	40,998,618	N/A	N/A	4,443,281
(n)	Authorized control level	N/A	N/A	2,694,797	N/A	N/A	2,879,932	N/A	N/A	(185,135)
	Adjusted capital/Authorized control level	N/A	N/A	1,686.30%	N/A	N/A	1,423.60%	N/A	N/A	262.70%

NOTES TO FINANCIAL STATEMENTS

(5) Impact of tax planning strategies on adjusted gross DTAs and net admitted DTAs:

		2011			2010			Change		
	Description	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
	Adjusted gross DTAs - Amount	0	0	0	0	0	0	0	0	0
(a)	Adjusted gross DTAs - Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Net admitted DTAs - Amount	0	0	0	0	0	0	0	0	0
(b)	Net admitted DTAs - Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(6) Impact of ¶10.e. on the following:

		2011			2010			Change		
	Description	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
	Admission calculation under ¶10.a.-¶10.c.									
(a)	Admitted DTAs	1,167,114	0	1,167,114	1,213,995	0	1,213,995	(46,881)	0	(46,881)
(b)	Admitted assets	N/A	N/A	83,116,384	N/A	N/A	79,804,451	N/A	N/A	3,311,933
(c)	Adjusted statutory surplus from most recently filed statement	N/A	N/A	45,254,228	N/A	N/A	40,998,618	N/A	N/A	4,255,610
(d)	Total adjusted capital from DTAs included above	N/A	N/A	45,254,228	N/A	N/A	40,998,618	N/A	N/A	4,255,610
	Increases due to admission under ¶10.e.i.-10.e.iii.									
(e)	Admitted DTAs	187,671	0	187,671	196,608	(0)	196,608	(8,937)	0	(8,937)
(f)	Admitted assets	N/A	N/A	187,671	N/A	N/A	196,608	N/A	N/A	(8,937)
(g)	Statutory surplus	N/A	N/A	187,671	N/A	N/A	196,608	N/A	N/A	(8,937)

B. Temporary differences for which a DTL has not been established:

NONE

C. Current tax and change in deferred tax:

(1) Current income taxes incurred consist of the following major components:

	Description	2011	2010
(a)	Current federal income tax expense	1,820,621	2,069,406
(b)	Foreign taxes	0	0
(c)	Subtotal	1,820,621	2,069,406
(d)	Tax on capital gains/(losses)	677	(114,019)
(e)	Utilization of capital loss carryforwards	0	0
(f)	Other, including prior year underaccrual (overaccrual)	(29,632)	(80,687)
(g)	Federal and foreign income taxes incurred	1,791,666	1,874,700

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

(2)	DTAs Resulting From Book/Tax Differences In	December 31, 2011	December 31, 2010	Change
(a)	Ordinary			
(1)	Discounting of unpaid losses and LAE	454,783	476,593	(21,810)
(2)	Unearned premiums	957,650	994,538	(36,888)
(3)	Policyholder reserves	0	0	0
(4)	Investments	0	0	0
(5)	Deferred acquisition costs	0	0	0
(6)	Policyholder dividends accrued	0	0	0
(7)	Fixed assets	0	0	0
(8)	Compensation and benefit accruals	0	0	0
(9)	Pension accruals	0	0	0
(10)	Nonadmitted assets	17,188	17,822	(634)
(11)	Net operating loss carryforward	0	0	0
(12)	Tax credit carryforward	0	0	0
(13)	Other (separately disclose items >5%)	0	0	0
	Gross ordinary DTAs	1,429,620	1,488,953	(59,333)
(b)	Statutory valuation adjustment adjustment - ordinary (-)	0	0	0
(c)	Nonadmitted ordinary DTAs (-)	(10,094)	(5,188)	(4,906)
(d)	Admitted ordinary DTAs	1,419,527	1,483,765	(64,238)

NOTES TO FINANCIAL STATEMENTS

(e)	Capital			
(1)	Investments	0	29,982	(29,982)
(2)	Net capital loss carryforward	0	0	0
(3)	Real estate	0	0	0
(4)	Other (separately disclose items >5%)	0	0	0
	Unrealized capital losses	0	0	0
	Gross capital DTAs	0	29,982	(29,982)
(f)	Statutory valuation adjustment adjustment - capital (-)	0	0	0
(g)	Nonadmitted capital DTAs (-)	0	(29,982)	29,982
(h)	Admitted capital DTAs	0	0	(0)
(i)	Admitted DTAs	1,419,527	1,483,765	(64,238)

(3)	DTLs Resulting From Book/Tax Differences In	December 31, 2011	December 31, 2010	Change
(a)	Ordinary			
(1)	Investments	(47,248)	(53,504)	6,256
(2)	Fixed assets	0	0	0
(3)	Deferred and uncollected premiums	0	0	0
(4)	Policyholder reserves/salvage and subrogation	(17,493)	(19,658)	2,165
(5)	Other (separately disclose items >5%)	0	0	0
	Ordinary DTLs	(64,741)	(73,162)	8,421
(b)	Capital			
(1)	Investments	0	0	0
(2)	Real estate	0	0	0
(3)	Other (separately disclose items >5%)	0	0	0
	Unrealized capital gains	0	0	0
	Capital DTLs	0	0	0
(c)	DTLs	(64,741)	(73,162)	8,421
(4)	Net deferred tax assets/liabilities	1,354,785	1,410,603	(55,817)

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	December 31, 2011	December 31, 2010	Change
Total deferred tax assets	1,429,620	1,518,935	(89,314)
Total deferred tax liabilities	(64,741)	(73,162)	8,421
Net deferred tax assets/liabilities	1,364,879	1,445,772	(80,893)
Statutory valuation allowance adjustment (*see explanation below)	0	0	0
Net deferred tax assets/liabilities after SVA	1,364,879	1,445,772	(80,893)
Tax effect of unrealized gains/(losses)	0	0	0
Statutory valuation allowance adjustment allocated to unrealized (+)	0	0	0
Change in net deferred income tax [(charge)/benefit]	1,364,879	1,445,772	(80,893)

*Statutory valuation allowance

NONE

D. Reconciliation of federal income tax rate to actual effective rate:

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

Description	Amount	Tax Effect	Effective Tax Rate
Income Before Taxes	6,092,345	2,132,321	35.00%
Tax-Exempt Interest	(875,278)	(306,347)	-5.03%
Dividends Received Deduction	0	0	0.00%
Proration	131,292	45,952	0.75%
Meals & Entertainment	0	0	0.00%
Statutory Valuation Allowance Adjustment	0	0	0.00%
Other, Including Prior Year True-Up	1,811	634	0.01%
Total	5,350,170	1,872,559	30.74%

NOTES TO FINANCIAL STATEMENTS

Federal income taxed incurred [expense/(benefit)]	1,790,989	29.40%
Tax on capital gains/(losses)	677	0.01%
Change in net deferred income tax [charge/(benefit)]	80,893	1.33%
Total statutory income taxes	1,872,559	30.74%

E. Carryforwards, recoverable taxes, and IRC §6603 deposits:

At December 31, 2010, the Company had net operating loss carryforwards expiring through the year 2030 of:	$0
At December 31, 2010, the Company had capital loss carryforwards expiring through the year 2015 of:	$0
At December 31, 2010, the Company had an AMT credit carryforwards, which does not expire, in the amount of:	$0

The following is income tax expense for 2009, 2010, and 2011 that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2009	0	0	0
2010	1,925,755	0	1,925,755
2011	1,820,621	0	1,820,621
Total	3,746,376	0	3,746,376

Deposits admitted under IRC § 6603
None

F. The Company's federal income tax return is consolidated with the following entities:

Grange Mutual Casualty Company

The method of allocating among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with a current credit for net losses.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

A. NONE
B. NONE
C. NONE
D. At December 31, 2011, the Company reported $1,791,666 as amounts due from the Parent Company, Grange Mutual Casualty Company. The terms of the settlement require that these amounts be settled within 45 days.
E. NONE
F. NONE
G. All outstanding shares of The Company are owned by the Parent Company, Grange Mutual Casualty Company, an insurance holding company domiciled in the State of Ohio.
H. NONE
I. NONE
J. NONE
K. NONE
L. NONE

11. DEBT

NONE

12. RETIREMENT PLANS AND DEFERRED COMPENSATION

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

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

6. The Company has 2,000,000 shares authorized, 2,000,000 shares issued and 2,000,000 shares outstanding. All shares are Class A shares.
7. The Company has no preferred stock outstanding.
8. NONE
9. NONE
10. NONE
11. NONE
12. NONE
13. NONE
14. NONE
15. NONE
16. NONE
17. NONE
18. NONE

14. CONTINGENCIES

A. NONE
B. Guaranty Fund Assessments are recorded by the parent, Grange Mutual Casualty Company.
C. NONE
D. NONE

NOTES TO FINANCIAL STATEMENTS

15. LEASES
NONE

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK.
NONE

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

A. NONE
B. Transfer and Servicing of Financial Assets
   1) None
   2) The Company participates in a securities lending program with JPMorgan Chase Bank as lending agent. Securities on loan as of December 31, 2011 were fixed income bonds, totaling $2.9 million. Collateral received from lending activities is maintained in accordance to the securities lending agreement, whereby the collateral requirement shall be an amount equal to 102% of the then current market value of the relevant loaned securities where securities and collateral are denominated in the same currency, and 105% for all other securities. The Company's lending agent, JPMorgan Chase Bank, reinvests the cash collateral according to investment guidelines outlined in the securities lending agreement and is reported on-balance sheet. Collateral received in the form of securities are restricted and off-balance sheet. The Company is not able to sell or reinvest the securities received as collateral and according to the MLSA, the borrower bears all the risk associated with said securities.
C. NONE

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS.
NONE

19. DIRECT PREMIUM WRITTEN / PRODUCED BY MANAGING GENERAL AGENTS / THIRD PARTY ADMINISTRATORS
NONE

20. FAIR VALUE MEASUREMENTS

A. All assets and liabilities of The Company are measured and reported at cost or amortized cost in accordance with footnote 1 above.
   1. NONE
   2. NONE
   3. The Company's policy is to recognize transfers in and out as of the end of the reporting period.
   4. As of December 31, 2011, the reported fair value of The Company's investments categorized within Level 2 and Level 3 of the fair value hierarchy are as follows: According to statutory accounting rules, fixed income securities with a rating of NAIC 1 or 2 are reported at amortized cost. Securities with a rating of NAIC 3 thru 6, or non-investment grade ratings, are measured and reported at the lower of amortized cost or fair value on the statement of financial position. As of December 31, 2011, The Company did not own bonds rated NAIC 3 thru 6 and therefore did not report any securities at fair value.

21. OTHER ITEMS

A. NONE
B. NONE
C. NONE
D. NONE
E. NONE
F. NONE
G. NONE

22. 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.

23. REINSURANCE

A. UNSECURED REINSURANCE RECOVERABLES
NONE

B. REINSURANCE RECOVERABLE IN DISPUTE
NONE

C. REINSURANCE ASSUMED AND CEDED

1.		Assumed Reinsurance		Ceded Reinsurance		Net	
		Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a.	Affiliates	13,680,706	2,462,527	53,431,182	9,617,613	(39,750,476)	(7,155,086)
b.	All Other	61,417	11,055	38,420	6,916	22,997	4,140
c.	TOTAL	13,742,123	2,473,582	53,469,602	9,624,528	(29,727,479)	(7,150,946)
d.	Direct Unearned Premium Reserve			53,408,185			

	Direct	Assumed	Ceded	Net
2. Contingent Commission	1,538,803	395,077	1,538,803	395,077

D. UNCOLLECTIBLE REINSURANCE
NONE

F. RETROACTIVE REINSURANCE
NONE

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION
NONE

NOTES TO FINANCIAL STATEMENTS

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased (decreased) by ($2.160) million from $18.410 million in 2010 to $16.250 million in 2011 as a result of re-estimation of unpaid losses and loss adjustment expenses principally on private passenger auto liability and homeowners lines of insurance. This 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. Included in this increase (decrease), the Company experienced $0 million of unfavorable (favorable) prior year loss development on retrospectively rated policies. However, since the business to which it relates is subject to premium adjustments, there was no significant impact on surplus.

LOSSES AND LAE	2011	2010
BALANCE JANUARY 1	24,624,635	23,856,525
LESS REINSURANCE RECOVERABLES	6,214,811	5,585,379
NET BALANCE JANUARY 1	18,409,824	18,271,146
INCURRED RELATED TO:		
CURRENT YEAR	27,905,509	29,748,487
PRIOR YEAR	(2,159,588)	(1,611,703)
TOTAL INCURRED	25,745,921	28,136,784
PAID RELATED TO:		
CURRENT YEAR	18,416,913	19,367,981
PRIOR YEAR	7,971,849	8,630,125
TOTAL PAID	26,388,762	27,998,106
NET BALANCE AT DECEMBER 31	17,766,983	18,409,824
PLUS REINSURANCE RECOVERABLES	9,065,766	6,214,811
BALANCE AT DECEMBER 31	26,832,749	24,624,635

26. INTERCOMPANY POOLING AGREEMENTS

		NAIC#	Pool Share
		---------	-------
Lead Company:	Grange Mutual Casualty Company	14060	84.0%
Affiliate:	Trustgard Insurance Company	40118	3.5%
	Grange Indemnity Insurance Company	10322	4.0%
	Grange Insurance Company of Michigan	11136	2.5%
	Grange Property & Casualty Insurance Company	11982	2.0%
	Integrity Mutual Insurance Company	14303	3.3%
	Integrity Property & Casualty Insurance Company	12986	0.7%

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.

27. STRUCTURED SETTLEMENTS
NONE

28. HEALTH CARE RECEIVABLES
NONE

29. PARTICIPATING POLICIES
NONE

30. PREMIUM DEFICIENCY RESERVES
A. Liability carried for Premium Deficiency Reserves is zero.
B. Date of the most recent evaluation of this liability was 12/31/2011.
C. Anticipated investment income was not utilized in this calculation.

31. HIGH DEDUCTIBLES
NONE

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

33. ASBESTOS/ENVIRONMENTAL RESERVES
NONE

34. SUBSCRIBER SAVINGS ACCOUNTS
NOT APPLICABLE

35. MULTIPLE PERIL CROP INSURANCE
NONE

36. FINANCIAL GUARANTY INSURANCE
NONE

37. 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 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.