

Correcting the PDF file attached for Footnotes. Original filing has wrong company's PDF attached. NAIC electronic footnotes were correct.



ANNUAL STATEMENT
For the Year Ended December 31, 2014
OF THE CONDITION AND AFFAIRS OF THE

GRANGE INSURANCE COMPANY OF MICHIGAN

NAIC Group Code	00267	00267	NAIC Company Code	11136	Employer's ID Number	31-1769414
	(Current Period)	(Prior Period)				
Organized under the Laws of	Ohio			State of Domicile or Port of Entry		Ohio
Country of Domicile	United States					
Incorporated/Organized	04/23/2001			Commenced Business		07/26/2001
Statutory Home Office	671 South High Street			Columbus, OH, US 43206-1014		
	(Street and Number)			(City or Town, State, Country and Zip Code)		
Main Administrative Office	671 South High Street			Columbus, OH, US 43206-1014		614-445-2900
	(Street and Number)			(City or Town, State, Country and Zip Code)		(Area Code) (Telephone Number)
Mail Address	671 South High Street, P.O. Box 1218			Columbus, OH, US 43216-1218		
	(Street and Number or P.O. Box)			(City or Town, State, Country and Zip Code)		
Primary Location of Books and Records	671 South High Street			Columbus, OH, US 43206-1014		614-445-2900
	(Street and Number)			(City or Town, State, Country and Zip Code)		(Area Code) (Telephone Number)
Internet Web Site Address	www.grangeinsurance.com					
Statutory Statement Contact	David Sidney Ackermann			614-445-2900		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	ackermannd@grangeinsurance.com			614-449-3757		
	(E-Mail Address)			(Fax Number)		

OFFICERS

Name	Title	Name	Title
JOHN (NMN) AMMENDOLA	PRESIDENT & CEO	LAVAWN DEE COLEMAN	EVP & SECRETARY
JOHN PAUL MCCAFFREY	EVP & CFO		

OTHER OFFICERS

JOHN CHRISTOPHER MONTGOMERY	VP - INVESTMENTS		
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DIRECTORS OR TRUSTEES

JOHN (NMN) AMMENDOLA #	MARK LEWIS BOXER	DOUGLAS PAUL BUTH	GLENN EUGENE CORLETT
ROBERT ENLOW HOYT	JOHN PAUL MCCAFFREY	MARY MARNETTE PERRY	MELVIN GEORGE PYE JR
THOMAS SIMRALL STEWART	DAVID CHARLES WETMORE	CHRISTIANNA (NMN) WOOD	

State ofOhio.....
County ofFranklin.....
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. 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.

JOHN (NMN) AMMENDOLA PRESIDENT & CEO	LAVAWN DEE COLEMAN EVP & SECRETARY	JOHN PAUL MCCAFFREY EVP & CFO
Subscribed and sworn to before me this 23rd day of February, 2015		a. Is this an original filing? Yes [] No [X] b. If no: 1. State the amendment number 1 2. Date filed 04/21/2015 3. Number of pages attached 1
Teresa J. Burchwell, Notary Public April 28, 2017		

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE
GRANGE INSURANCE COMPANY OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Accounting Practices:

Grange Insurance Company of Michigan (the Company) prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by The Ohio Department of Insurance (the Department). The Department requires that insurance companies domiciled in the State of Ohio 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 Department. The Company does not employ accounting practices that depart from the NAIC Accounting Practices and Procedures Manual.

A reconciliation of the Company’s net income and surplus between NAIC SAP and practices prescribed and permitted by the State of Ohio is shown below.

	State of Domicile	2014	2013
NET INCOME			
(1) Grange Insurance Company of Michigan state basis (Page 4, Line 20, Columns 1 & 2)	Ohio	\$ 2,336,560	\$ 2,460,097
(2) State Prescribed Practices that increase/(decrease) NAIC SAP	Ohio	0	0
(3) State Permitted Practices that increase/(decrease) NAIC SAP	Ohio	0	0
(4) NAIC SAP (1-2-3=4)	Ohio	<u>\$ 2,336,560</u>	<u>\$ 2,460,097</u>
SURPLUS			
(5) Grange Insurance Company of Michigan state basis (Page 3, Line 37, Columns 1 & 2)	Ohio	\$ 37,729,509	\$ 35,446,227
(6) State Prescribed Practices that increase/(decrease) NAIC SAP	Ohio	0	0
(7) State Permitted Practices that increase/(decrease) NAIC SAP	Ohio	0	0
(8) NAIC SAP (5-6-7=8)	Ohio	<u>\$ 37,729,509</u>	<u>\$ 35,446,227</u>

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:

- Short-term investments are stated at amortized cost, which approximates fair value.
- Bonds not backed by other loans are stated at amortized cost using the interest method.
- The Company has no investments in common stocks.
- The Company has no investments in preferred stocks.
- The Company has no investments in mortgage loans.
- 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, those are valued using the prospective method.
- The Company has no investments in subsidiaries, controlled and affiliated entities.
- The Company has no investments in joint ventures, partnerships and limited liability companies.
- The Company has no investments in derivative instruments.
- The Company does not anticipate investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts - Premiums.
- 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 is continually reviewed and any adjustments are reflected in the period determined.
- The Company has not modified its capitalization policy from the prior period.
- The Company does not have pharmaceutical rebate receivables.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS: NONE

3. BUSINESS COMBINATIONS AND GOODWILL: NONE

4. DISCONTINUED OPERATIONS: NONE

5. INVESTMENTS:

A. Mortgage Loans, including Mezzanine Real Estate Loans: None

B. Debt Restructuring: None

C. Reverse Mortgages: None

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NOTES TO FINANCIAL STATEMENTS

- 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. The Company has not recognized any other than temporary impairments on its loan-backed securities.
 - 3. The Company has not recognized any other than temporary impairments on its loan-backed securities.
 - 4. All 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	(6,622)
2. 12 Months or Longer	(42,230)
b. The Aggregate Related Fair Value of Securities with Unrealized Losses:	
1. Less than 12 Months	594,110
2. 12 Months or Longer	1,972,664
 - 5. According to SSAP 43R, 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 held with an intent to sell were other-than-temporarily impaired to current fair value. Securities with a present value greater than amortized cost were not other-than-temporarily impaired.
- E. Repurchase Agreements and/or Securities Lending Transactions: None
- F. Real Estate: None
- G. Low Income Housing Tax Credits: None

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE
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NOTES TO FINANCIAL STATEMENTS

H. Restricted Assets:										
	Gross Restricted							8	Percentage	
	Current Year					6	7		9	10
	1	2	3	4	5					
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown										
b. Collateral held under security lending agreements										
c. Subject to repurchase agreements										
d. Subject to reverse repurchase agreements										
e. Subject to dollar repurchase agreements										
f. Subject to dollar reverse repurchase agreements										
g. Placed under option contracts										
h. Letter stock or securities restricted as to sale										
i. FHLB capital Stock										
j. On deposit with states	766,264				766,264	775,047	(8,703)	766,264	1.1%	1.1%
k. On deposit with other regulatory bodies										
l. Pledged as collateral to FHLB										
m. Pledged as collateral not captured in other categories										
n. Other restricted assets										
o. Total Restricted Assets	766,264				766,264	775,047	(8,703)	766,264	1.1%	1.1%

I. Working Capital Finance Investments: None

J. Offsetting and Netting of Assets and Liabilities: None

K. Structured Notes:

Structured notes as defined per the Purposes and Procedures Manual of the NAIC Investment Analysis Office at December 31, 2014:

CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (YES/NO)
313381ZE8	233,988	248,363	236,971	No
3133825H2	489,844	496,305	490,795	No
3136G0RF0	488,000	497,505	493,133	No
3136G1AF6	482,750	493,640	486,653	No
3136G1KU2	456,125	476,230	459,836	No
Total	\$2,150,706	\$2,212,043	\$2,167,388	

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES: NONE

7. INVESTMENT INCOME: NONE

8. DERIVATIVE INSTRUMENTS: NONE

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE
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NOTES TO FINANCIAL STATEMENTS

9. FEDERAL INCOME TAXES:

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

1.

12/31/2014			
(1)	(2)	(3)	
Ordinary	Capital	(Col 1+2) Total	
(a) Gross Deferred Tax Assets	\$ 1,079,173	\$ 1,079,173	
(b) Statutory Valuation Allowance Adjustments	\$ 0	\$ 0	
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ 1,079,173	\$ 1,079,173	
(d) Deferred Tax Assets Nonadmitted	\$ 0	\$ 0	
(e) Subtotal Net Admitted Deferred Tax Asset (1c -1d)	\$ 1,079,173	\$ 1,079,173	
(f) Deferred Tax Liabilities	\$ 78,209	\$ 78,209	
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 1,000,964	\$ 1,000,964	

12/31/2013			
(4)	(5)	(6)	
Ordinary	Capital	(Col 4+5) Total	
(a) Gross Deferred Tax Assets	\$ 1,107,182	\$ 1,107,182	
(b) Statutory Valuation Allowance Adjustments	\$ 0	\$ 0	
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ 1,107,182	\$ 1,107,182	
(d) Deferred Tax Assets Nonadmitted	\$ 7,816	\$ 7,816	
(e) Subtotal Net Admitted Deferred Tax Asset (1c -1d)	\$ 1,099,366	\$ 1,099,366	
(f) Deferred Tax Liabilities	\$ 61,453	\$ 61,453	
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 1,037,913	\$ 1,037,913	

Change			
(7)	(8)	(9)	
(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total	
(a) Gross Deferred Tax Assets	\$ (28,009)	\$ (28,009)	
(b) Statutory Valuation Allowance Adjustments	\$ 0	\$ 0	
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ (28,009)	\$ (28,009)	
(d) Deferred Tax Assets Nonadmitted	\$ (7,816)	\$ (7,816)	
(e) Subtotal Net Admitted Deferred Tax Asset (1c -1d)	\$ (20,193)	\$ (20,193)	
(f) Deferred Tax Liabilities	\$ 16,756	\$ 16,756	
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ (36,949)	\$ (36,949)	

2.

12/31/2014			
(1)	(2)	(3)	
Ordinary	Capital	(Col 1+2) Total	

Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 985,415	\$ 985,415	
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	\$ 43,772	\$ 43,772	
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	\$ 43,772	\$ 43,772	
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	\$ 5,163,701
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 49,986	\$ 49,986	
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 1,079,173	\$ 1,079,173	

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NOTES TO FINANCIAL STATEMENTS

12/31/2013			
(4)	(5)	(6)	
Ordinary	Capital	(Col 4+5) Total	
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 978,083	\$ 0	\$ 978,083
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	\$ 59,830	\$ 0	\$ 59,830
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	\$ 59,830	\$ 0	\$ 59,830
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	\$ 5,163,701
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 61,453	\$ 0	\$ 61,453
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ 1,099,366	\$ 0	\$ 1,099,366

Change			
(7)	(8)	(9)	
(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total	
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 7,332	\$ 0	\$ 7,332
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	\$ (16,058)	\$ 0	\$ (16,058)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	\$ (16,058)	\$ 0	\$ (16,058)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	\$ 0
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ (11,467)	\$ 0	\$ (11,467)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101.			
Total (2(a) + 2(b) + 2(c))	\$ (20,193)	\$ 0	\$ (20,193)

3.

2014	2013
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount. 1,972.500
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 34,424,672 \$ 35,446,227

4.

12/31/2014	
(1)	(2)
Ordinary	Capital

Impact of Tax-Planning Strategies

(a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.		
1. Adjusted Gross DTAs Amount From Note 9A1(c) 1,079,173 0
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies 0.0 0.0
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e) 1,079,173 0
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies 0.0 0.0

12/31/2013	
(3)	(4)
Ordinary	Capital

(a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.		
1. Adjusted Gross DTAs Amount From Note 9A1(c) 1,107,182 0
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies 0.0 0.0
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e) 1,099,366 0
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies 0.0 0.0

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Change	
(5)	(6)
(Col 1-3) Ordinary	(Col 2-4) Capital

- (a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted
Deferred Tax Assets, By Tax Character As A Percentage.

1. Adjusted Gross DTAs Amount From Note 9A1(c)

2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The
Impact Of Tax Planning Strategies

3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)

4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character
Admitted Because Of The Impact Of Tax Planning Strategies

(28,009)

0.0

(20,193)

0.0

0

0.0

0

0.0
- (b) Does the Company's tax-planning strategies include the use of reinsurance?

Yes.....

No.....X.....

B. Temporary differences for which a DTL has not been established:
NONE

C. Current income taxes incurred consist of the following major components:

(1)	(2)	(3)
12/31/2014	12/31/2013	(Col 1-2) Change

1. Current Income Tax

(a) Federal

(b) Foreign

(c) Subtotal

(d) Federal income tax on net capital gains

(e) Utilization of capital loss carry-forwards

(f) Other

(g) Federal and foreign income taxes incurred

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

886,643

1,090,108

886,643

7,154

(52,307)

841,490

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

(203,465)

0

(203,465)

(17,553)

(52,209)

(273,227)
2. Deferred Tax Assets:

(a) Ordinary

(1) Discounting of unpaid losses

(2) Unearned premium reserve

(3) Policyholder reserves

(4) Investments

(5) Deferred acquisition costs

(6) Policyholder dividends accrual

(7) Fixed assets

(8) Compensation and benefits accrual

(9) Pension accrual

(10) Receivables - nonadmitted

(11) Net operating loss carry-forward

(12) Tax credit carry-forward

(13) Other (including items <5% of total ordinary tax assets)

(99) Subtotal

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

205,321

288,897

857,636

0

0

0

0

0

0

16,216

12,277

0

0

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

(83,576)

51,628

0

0

0

0

0

0

0

3,939

0

0

0

(b) Statutory valuation allowance adjustment

(c) Nonadmitted

\$.....

\$.....

0

7,816

0

(7,816)

(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)

\$.....

1,079,173

1,099,366

(20,193)

(e) Capital:

(1) Investments

(2) Net capital loss carry-forward

(3) Real estate

(4) Other (including items <5% of total capital tax assets)

(99) Subtotal

\$.....

\$.....

\$.....

\$.....

\$.....

0

0

0

0

0

(f) Statutory valuation allowance adjustment

(g) Nonadmitted

\$.....

\$.....

0

0

0

0

(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)

\$.....

0

0

0

(i) Admitted deferred tax assets (2d + 2h)

\$.....

1,079,173

1,099,366

(20,193)
3. Deferred Tax Liabilities:

(a) Ordinary

(1) Investments

(2) Fixed assets

(3) Deferred and uncollected premium

(4) Policyholder reserves

(5) Other (including items<5% of total ordinary tax liabilities)

(99) Subtotal

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

58,210

51,553

12,181

7,818

0

78,209

\$.....

\$.....

\$.....

\$.....

\$.....

\$.....

6,657

0

12,181

(2,082)

0

16,756

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(b) Capital:			
(1) Investments	\$	\$..... 0	\$..... 0
(2) Real estate	\$	\$..... 0	\$..... 0
(3) Other (including items <5% of total capital tax liabilities)	\$	\$..... 0	\$..... 0
(99) Subtotal	\$0	\$..... 0	\$..... 0
(c) Deferred tax liabilities (3a99 + 3b99)	\$ 78,209	\$..... 61,453	\$.....16,756
4. Net deferred tax assets/liabilities (2i - 3c)	\$ 1,000,964	\$..... 1,037,913	\$.....(36,949)

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

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

	Amount	Tax Effect	Effective Tax Rate
1. Description:			
(a) Income Before Taxes	\$	\$	
	3,178,050	1,112,318	35.00%
(b) Tax-Exempt Interest	\$ (746,635)	\$ (261,322)	-8.22%
(c) Dividends Received Deduction	\$ 0	\$ 0	0.00%
(d) Proration	\$ 111,995	\$ 39,198	1.23%
(e) Meals & Entertainment	\$ 0	\$ 0	0.00%
(f) Statutory Valuation Allowance	\$ 0	\$ 0	0.00%
(g) Pension (unfunded liability and prepaid)	\$ 0	\$ 0	0.00%
(h) Change in Nonadmitted Assets	\$ (11,252)	\$ (3,938)	-0.12%
(i) Other, Including Prior Year True-up	\$ (22,331)	\$ (7,816)	-0.25%
Total	\$ 2,509,827	\$ 878,439	27.64%
2. Description:			
(a) Federal Income Tax Incurred [Expense/(Benefit)]		\$ 834,336	26.25%
(b) Tax on Capital Gains/(Losses)		\$ 7,154	0.23%
(c) Change in Net Deferred Income Tax [Charge/(Benefit)]		\$ 36,949	1.16%
Total		\$ 878,439	27.64%

E. Carryforwards, recoverable taxes, and IRC S6603 deposits:

1. At December 31, 2014, the Company had net operating loss carry forwards of: \$ 0
- At December 31, 2014, the Company had capital loss carry forwards of: \$ 0
- At December 31, 2014, the Company had AMT credit carry forwards, which do not expire, in the amount of: \$ 0
2. The following is income tax expense that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2012	\$ 0	\$ 0	\$ 0
2013	\$ 1,037,801	\$ 24,707	\$ 1,062,508
2014	\$ 886,643	\$ 7,154	\$ 893,797
Total	\$ 1,924,445	\$ 31,861	\$ 1,956,305

3. Deposits admitted under IRC S6603:
- NONE

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

1. Grange Mutual Casualty Company
2. The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate company basis with current credit for losses.

- G. Federal or foreign income tax loss contingencies:
- NONE

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NOTES TO FINANCIAL STATEMENTS

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES:

A. Relationship with Parent, Subsidiaries and Affiliates:

The Company is a 100% owned subsidiary of Grange Mutual Casualty Company (GMCC), an insurance company domiciled in the State of Ohio and a member of the Grange Mutual Casualty Group.

B. Descriptions of transactions with Parent, Subsidiaries and Affiliates: None

C. Amounts of transactions with Parent, Subsidiaries and Affiliates: None

D. Amounts Due From or To Related Parties:

At December 31, 2014, the Company reported \$1.1 million as amounts due from GMCC. The terms of the settlement require that these amounts be settled within 45 days.

E. Guarantees or Contingencies for Related Parties: None

F. Description of material management or service contracts:

The Company maintains a service agreement with GMCC, whereby GMCC provides service for the Company and makes available all services necessary to support its business operations. These services include all necessary financial, actuarial, audit, accounting, tax, information technology, records management and legal and compliance services, other than those provided by third party service providers.

G. Nature of the control relationship:

The Company participates in a pooling reinsurance agreement detailed in Note 26.

H. Amount Deducted for Investment in Upstream Company: None

I. Investments in Affiliates Greater than 10% of Admitted Assets: None

J. The Company did not recognize any impairment write down for investments in Subsidiary, Controlled or Affiliated Companies during the periods reported.

K. The Company does not have investments in a foreign insurance subsidiary.

L. The Company does not have investments in a Downstream Noninsurance Company.

11. DEBT: NONE

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS:

All employees are employed by GMCC and participate in the pension and other benefit plans of GMCC. Annual costs are shared via the pooling arrangement.

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

1. The Company has 1,000 shares authorized, 1,000 shares issued and 1,000 shares outstanding. All shares are Class A shares.

2. The Company has no preferred stock outstanding.

3. The Company doesn't pay dividends to its policyholders. Dividends recorded in these financial statements were paid by other companies within the Grange Mutual Casualty Group.

4. No dividends were paid by the Company.

5. The Company doesn't pay dividends to its policyholders.

6. There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.

7. No advances to surplus were made.

8. No amounts of stock were held by the Company.

9. No special surplus funds are held.

10. The Company has no unrealized gains.

11. The Company has no surplus notes.

12. There has not been a restatement due to prior quasi-reorganizations.

13. There has been no quasi-reorganization in the past 10 years.

14. CONTINGENCIES:

A. Contingent Commitments: None

B. Assessments:

Guaranty Fund Assessments are recorded by the parent, GMCC.

C. Gain Contingencies: None

D. Claims Related Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits: None

E. Product Warranties: None

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- F. All Other 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: NONE
16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK: NONE
17. TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES:
- A. Transfers of Receivables Reported as Sales: None
- B. Transfer and Servicing of Financial Assets
1. Loaned Securities:
The Company participates in a securities lending program with JPMorgan Chase Bank as lending agent. The Company had no securities on loan at December 31, 2014. 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.
2. Servicing Assets and Servicing Liabilities: None
3. Servicing Assets and Servicing Liabilities Measured at Fair Value: None
4. Securitizations, Asset-backed Financing Agreements and Similar Transfers with Continued Involvement: None
5. Assets Accounted for as Secured Borrowing: None
6. Receivables with Recourse: None
7. Securities Underlying Repurchase and Reverse Repurchase Agreements: None
- C. Wash Sales: 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. 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. Fair Value Hierarchy: None
2. Level Three Fair Value Reconciliation: None
3. Level Three Transfers In/Out: None
4. Reported Fair Value of Investments within Level 2 and Level 3: 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, 2014, the Company did not have any bonds rated NAIC 3 thru 6, and therefore did not report any securities at fair value.
5. Derivative Assets and Liabilities: The Company does not have derivative assets and liabilities.
- B. Other Fair Value Disclosures: None
- C. Fair Values for All Financial Instruments by Levels 1, 2 and 3:
- | Type of Financial Instrument | Aggregate Fair Value | Admitted Assets | Level 1 | Level 2 | Level 3 | Not Practicable (CV) |
|------------------------------|----------------------|-----------------|-----------|------------|---------|----------------------|
| Bonds | 57,236,625 | 54,558,895 | 8,023,896 | 49,212,730 | 0 | 0 |
| Common Stock | 0 | 0 | 0 | 0 | 0 | 0 |
| Perpetual Preferred | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Invested Asset | 0 | 0 | 0 | 0 | 0 | 0 |
| Money Market | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 57,236,625 | 54,558,895 | 8,023,896 | 49,212,730 | 0 | 0 |
- D. Not Practicable to Estimate Fair Value: None
21. OTHER ITEMS:
- A. Extraordinary Items: None
- B. Troubled Debt Restructuring: None
- C. Other Disclosures: None
- D. Business Interruption Insurance Recoveries: None
- E. State Transferable and Non-transferable Tax Credits: None

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NOTES TO FINANCIAL STATEMENTS

F. Subprime Mortgage Related Risk Exposure

1. Management Definition of Exposure to Subprime Mortgage Related Risk:

Management defines “subprime” mortgage loans as mortgage loans that are originated with an inherently higher risk profile or have a loan structure that is distinctly different from that of traditional mortgage loans. Management considers the following factors in determining whether or not a mortgage represents a subprime risk: borrowers with low credit ratings (FICO score); unconventionally high initial loan-to-value ratios (LTVs); unconventionally structured loans (option pay adjustable rate mortgages or negative amortizing loans); unconventionally high interest rates; and less than conventional documentation of the borrower’s income and/or assets.

2. The Company has no direct exposure through investments in subprime mortgage loans.
3. Estimated Direct Exposure to Subprime Mortgage Risk Through Other Investments.

Management considers the Company's holdings in securities with underlying subprime exposure to be minimal. The majority of residential mortgage backed securities (RMBS) in the portfolio are issued by government-sponsored enterprises (GSEs). The Company did not own securities with collateral that contain subprime characteristics based on low credit (FICO scores less than 620) and/or high LTVs. The Company's bond portfolio does not include any positions in collateralized debt obligations (CDOs) on a direct basis. On a quarterly basis, management reviews all loan-backed and structured securities with an unrealized loss position according to SSAP 43-R. The best estimate of future cash flows using the appropriate discount rate is calculated for each affected security. To assist in this effort, a brokerage firm provides forward-looking assumptions for default rates, voluntary prepayment speeds, and loss severities on a majority of the securities governed by SSAP 43R. The outcomes of this process assure that anticipated cash flows will not be less than the carrying value subsequent to other-than-temporary impairments. As of December 31, 2014, management estimates there were no unrealized losses present due to subprime mortgage exposure.

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other Than Temporary Impairment Losses Recognized
a. Residential mortgage-backed securities	0	0	0	0
b. Commercial mortgage-backed securities	0	0	0	0
c. Collateralized debt obligations	0	0	0	0
d. Structured securities	0	0	0	0
e. Equity investment in SCAs *	0	0	0	0
f. Other assets	0	0	0	0
g. Total	0	0	0	0

1. The Company does not write Mortgage Guaranty or Financial Guaranty insurance coverage.

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.

Assessments relating to Section 9010 of the Federal Affordable Care Act:

The Company does not write business subject to Section 9010 of the Federal Affordable Care Act.

23. REINSURANCE:

A. Unsecured Reinsurance Recoverables:

None exceed 3% of Surplus

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	12,067,022	2,172,064	37,725,895	6,790,661	(25,658,873)	(4,618,597)
b.	All Other	36,512	6,572	2,497,739	449,593	(2,461,227)	(443,021)
c.	TOTAL	12,103,534	2,178,636	40,223,633	7,240,254	(28,120,100)	(5,061,618)

d.	Direct unearned Premium Reserve	40,187,122
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	Direct	Assumed	Ceded	Net
2. Contingent Commission	1,543,220	482,084	1,543,220	482,084

D. Uncollectible Reinsurance: None

E. Commutation of Ceded Reinsurance: None

F. Retroactive Reinsurance: None

G. Reinsurance Accounted For as a Deposit: None

H. Disclosures for the Transfer of Property and Casualty Run-Off Agreements: None

I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation: None

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION: NONE

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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 \$(0.284) million from \$22.489 million in 2013 to \$22.205 million in 2014 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	2014	2013
BALANCE JANUARY 1	22,489,065	20,058,574
LESS REINSURANCE RECOVERABLES	8,847,891	7,383,766
NET BALANCE JANUARY 1	13,641,174	12,674,808
INCURRED RELATED TO:		
CURRENT YEAR	20,646,212	19,061,580
PRIOR YEAR	(284,238)	(557,825)
TOTAL INCURRED	20,361,974	18,503,755
PAID RELATED TO:		
CURRENT YEAR	13,082,252	11,858,555
PRIOR YEAR	6,137,567	5,678,834
TOTAL PAID	19,219,819	17,537,389
NET BALANCE AT DECEMBER 31	14,783,329	13,641,174
PLUS REINSURANCE RECOVERABLES	7,797,349	8,847,891
BALANCE AT DECEMBER 31	22,580,678	22,489,065

26. INTERCOMPANY POOLING AGREEMENTS:

		Pool	
		NAIC #	Share
Lead Company:	Grange Mutual Casualty Company	14060	84.0%
Affiliates:	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 and the reinsurance schedules of the other participants.

27. STRUCTURED SETTLEMENTS:

All unassigned structure settlements where the claimant is the payee have amortized values, by company, less than 1% of the Company’s surplus.

28. HEALTH CARE RECEIVABLES: NONE

29. PARTICIPATING POLICIES: NONE

30. PREMIUM DEFICIENCY RESERVES:

- 1. Liability carried for Premium Deficiency Reserves is zero.
- 2. Date of the most recent evaluation of this liability was 12/31/2014.
- 3. 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 utilizes a variety of catastrophe mitigation techniques including exposure management, catastrophe modeling, transfer of risk via reinsurance and claims staff preparation. Exposure management includes active management of exposures and loss potentials such as monitoring of changes in insured values, peril avoidance, pricing actions and/or agency realignments. The Company primarily relies on two probabilistic catastrophe models to identify PML and TVaR estimates on an annual basis. A deterministic model augments this effort. The Company has a comprehensive catastrophic reinsurance program in place and we currently purchase coverage well in excess of our 250+ year event outcome. The Company places an emphasis on settlement of claims by Company personnel and these associates receive ongoing training on property claims practices.