

**NC Grange Mutual Insurance Company**

Greensboro, North Carolina

**Report on Examination**

As of December 31, 2018

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March 4, 2020

Honorable Mike Causey  
Commissioner of Insurance  
State of North Carolina  
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**NC Grange Mutual Insurance Company**

(hereinafter referred to as the “Company”), at its main administrative and statutory office located at 2751 Patterson Street, Greensboro, North Carolina 27407. The following report on examination is respectfully submitted.

**SCOPE OF THE EXAMINATION**

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2014 to December 31, 2018, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2013.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Pricing and Underwriting  
Claims Handling and Reserving  
Reinsurance Ceding  
Capital and Surplus  
Cash and Investments

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with Statutory Accounting Principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). RSM US LLP of Greensboro, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2018.

## COMPANY HISTORY

The Company was incorporated as a non-stock corporation on November 1, 1934, and commenced operations in 1935, as the Grange Mutual Fire Insurance Association of North Carolina, Inc. with its principal office being located in Raleigh, North Carolina. The Company changed the location of its principal office from Raleigh, North Carolina to Greensboro, North Carolina in September 1947. On December 1, 1947, the Company amended its Certificate of Incorporation to change the name of the Company to North Carolina Grange Mutual Insurance Company.

On June 16, 1965, the Certificate of Incorporation was amended to enable the Company to write all insurance coverages that are permitted by the laws of North Carolina and to replace its 99-year period of existence with a perpetual period of existence.

## MANAGEMENT AND CONTROL

### CORPORATE GOVERNANCE

#### Board of Directors

The business of the Company is conducted by its management team, and subject to review by the Board of Directors (“Board”). The bylaws specify that the number of directors shall be no less than nine and no more than twelve, with no more than two not being a policyholder of the Company. Directors are elected annually, at the annual meeting of policyholders or by the written consent of the policyholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2018:

<b>Name</b>	<b>Location</b>	<b>Principal Occupation</b>
Richard Angell	Greensboro, North Carolina	Retired – Steele Feed Service
Judith Barnes	Greensboro, North Carolina	Retired – Educator
Ted Barnett	Greensboro, North Carolina	President – Insurance Agency
James Betts	Greensboro, North Carolina	Retired – Merrill Lynch
Ned Cline	Greensboro, North Carolina	Retired – Journalist
John Denson	Greensboro, North Carolina	Independent Insurance Adjuster
Robert Hunt	Greensboro, North Carolina	Retired – Healthcare Consultant
Larry Putnam	Greensboro, North Carolina	Retired – Certified Public Accountant
Carlyle Teague	Greensboro, North Carolina	Retired – President of Co-op Council of North Carolina

The Board established several committees including an Audit Committee and an Agents Advisory Committee to act on behalf of the Company.

The following individuals served on committees as of December 31, 2018:

**Audit Committee**

Larry Putnam (Chair)  
Ted Barnet  
Ned Cline  
John Denson

**Agents Advisory Committee**

Rick Angell  
Judith Barnes  
Ted Barnett  
Ned Cline

**Officers**

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company consist of a president, a vice president, a secretary, a treasurer and any other officers deemed necessary by the Board. One person may hold more than one office except that the same person shall not be elected president and secretary. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified.

The following individuals served as officers of the Company as of December 31, 2018:

<b>Name</b>	<b>Title</b>
Robert Caldwell	President
Catherine Wells	Vice President and Treasurer
Elizabeth Owenby	Assistant Vice President – Information Technology
Gina Tuttle	Assistant Vice President - Underwriting
Deborah Welch	Secretary

**CODE OF CONDUCT AND CONFLICT OF INTEREST**

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed the Company acted in accordance with its policy and procedure for disclosure of conflicts of interest.

**CORPORATE RECORDS**

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events, and that the directors approved these transactions and events.

The Company's Articles of Incorporation and Bylaws were reviewed for any changes during the period under examination. No changes were noted regarding the articles of incorporation and bylaws for the company.

## STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2018 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposit. The company only maintains a North Carolina statutory deposit.

## FIDELITY BONDS AND OTHER INSURANCE

The Company has fidelity bond coverage totaling \$1,000,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook for the Company.

## EMPLOYEE BENEFITS AND PENSION PLANS

The Company contributes to a fully vested 401K plan that covers all full-time employees. The Company's Board sets contributions and all contributions are applied equally to all. For the year-ended December 31, 2018, an amount equal to five percent (5%) of the employees' salary was contributed to the 401K for each employee of the Company. The Company's contribution for the year 2018 was \$51,008.

## TERRITORY AND PLAN OF OPERATION

The Company writes property and liability insurance, providing fire, allied line coverages, and multiple peril for farm owners, homeowners and commercial policyholders in North Carolina. The Company's policyholders are either members, associate members, or prospective members of the North Carolina State Grange Association. The Company markets its products and services through independent agents.

## TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended 2018:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2018	\$42,751,327	\$18,896,343	\$23,376,414	\$19,315,010	\$(305,190)
2017	\$36,152,002	\$19,796,607	\$22,162,303	\$18,874,066	\$3,663,020
2016	\$32,000,497	\$15,051,936	\$21,014,704	\$17,524,360	\$677,723
2015	\$28,274,843	\$13,754,058	\$20,107,953	\$17,248,797	\$2,384,475
2014	\$25,699,001	\$11,855,569	\$20,295,046	\$16,476,217	\$2,501,998

## **ACTUARIAL OPINION**

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2018 were reviewed and certified by the Company's Appointed Actuary, Robert Van Epps, FCAS, MAA of Financial Risk Analysts, LLC. Actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company's reserve on the losses and loss adjustment expense met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all losses and loss adjustment expense obligations of the Company.

## **REINSURANCE PROGRAM OVERVIEW**

### **REINSURANCE CEDED**

#### **Excess of Loss coverage**

The Company has an excess of loss reinsurance contract with General Reinsurance Corporation ("GenRe") effective January 1, 2018, whereby the Company cedes all property and liability business written by the Company. Under this contract, GenRe provides coverage to the Company up to \$700,000 in excess of the first \$300,000 per risk. In 2018 and 2017, the Company ceded premiums totaling \$482,465 and \$399,181, respectively, to GenRe under this contract.

#### **Facultative Coverage**

The Company has a property facultative contract with GenRe effective January 1, 2018, which provides coverage of up to \$2 million of the Company's net liability in excess of \$1 million per risk and limits GenRe's liability to \$6 million for all loss and loss adjustment expense payments for all risks involved in one occurrence. The Company ceded premiums to GenRe of approximately \$44,535 and \$29,819 in 2018 and 2017, respectively, under this contract.

#### **Catastrophe Coverage**

The Company has a property catastrophe excess of loss reinsurance contract effective January 1, 2018 with various reinsurers participating at specified levels. The Company utilizes JLT Re Intermediaries as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks. The contract provides four excess of loss layers and covers losses from catastrophes in excess of \$1.0 million up to \$50.0 million as described below:

- Layer 1: The liability of the reinsurers is 70% of the ultimate net liability in excess of the Company's retention of \$1.0 million up to a maximum of \$4.0 million for each loss event. The reinsurers' total liability for all loss events commencing during the term of the agreement



is limited to \$3.0 million.

**Layer 2:** The liability of reinsurers is 100% of ultimate net liability in excess \$4.0 million up to \$6.0 million for each loss event and subject to a maximum liability of \$10.0 million for all loss events commencing within the term of the agreement.

**Layer 3:** The liability of reinsurers is 100% of ultimate net liability in excess \$10.0 million up to \$10.0 million for each loss event and subject to a maximum liability of \$20.0 million for all loss events commencing within the term of the agreement.

**Layer 4:** The liability of reinsurers is 100% of ultimate net liability in excess \$20.0 million and up to \$30.0 million for each loss event and subject to a maximum of \$50.0 million for all loss events commencing the term of the agreement.

The Company pays deposit premiums quarterly, which are adjusted at the contract expiration date to equal the percentage of premiums written as specified in the contract provisions. The Company ceded premiums under the contract totaling \$3.0 million and \$2.9 million in 2018 and 2017, respectively.

### **Quota Share Coverage**

The Company has a quota share reinsurance contract with Factory Mutual Insurance Company effective April 1, 2018, whereby Factory Mutual Insurance Company provides coverage for equipment breakdown endorsements on homeowner and farm-owner policies. Under this contract, the reinsurer's liability is limited on any one risk to \$100,000 but assumes obligation of 100% of the Company's liability.

The contract also provides for a profit-sharing arrangement wherein the Company could be eligible for-profit sharing distribution from Factory Mutual Insurance Company when certain conditions are met. In 2018, the Company earned \$39,631 of profit-sharing distributions.

### **SURPLUS NOTES**

The Company has Certificates of Contribution outstanding in the amount of \$2,260,000 as of December 31, 2018. The Company pays 3% interest on the \$2,000,000 to General Reinsurance Corporation, and 6.5% on the \$260,000 to various individuals and organizations including Caldwell Insurance Agency, an affiliated entity, the Company's president and various employees and board members. Annual interest on these certificates is \$76,900. The principal shall not be payable except upon approval of a majority of directors and the approval from the Department.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2018. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2017, are unexamined and are presented for comparative purposes only.

**NC Grange Mutual Insurance Company**  
**Statutory Statement of Admitted Assets**  
**December 31, 2018**

	<b>2018</b>	<b>2017</b> <i>(unexamined)</i>
Bonds	\$23,266,307	\$ 21,508,628
Preferred stocks	75,000	75,000
Common stocks	10,413,862	11,385,883
Cash	5,997,267	1,148,053
<b>Total cash and invested assets</b>	<b>39,752,436</b>	<b>34,117,564</b>
Investment income due and accrued	267,931	260,820
Uncollected premiums and agents' balances in course of collection	366,811	418,765
Deferred premiums, agents' balances and installments	970,992	877,149
Amounts recoverable from reinsurers	701,883	412,228
Other amounts receivable under reinsurance contracts	-	25,543
Federal income tax recoverable	654,898	-
Electronic data processing equipment and software	1,227	5,782
Cash value of life insurance	35,150	34,150
<b>Total admitted assets</b>	<b>\$42,751,327</b>	<b>\$36,152,002</b>

**NC Grange Mutual Insurance Company**  
**Statutory Statement of Liabilities and Surplus**  
**December 31, 2018**

	2018	2017 <i>(unexamined)</i>
Losses	\$5,431,238	\$ 3,247,509
Loss adjustment expenses	968,825	186,241
Commissions payable	626,922	795,040
Other expenses	18,336	63,988
Taxes, licenses and fees	31,034	31,471
Current federal income taxes	-	20,157
Net deferred tax liability	238,814	450,565
Unearned premiums	11,388,200	11,141,402
Advance premium	498,384	377,772
Ceded reinsurance premiums payable	17,267	-
Funds held by company under reinsurance treaties	4,610,453	-
Amounts withheld or retained by Company for account of others	25,310	31,326
Provision for reinsurance	-	9,923
Unapplied cash	200	-
<b>Total Liabilities</b>	<b>23,854,984</b>	<b>16,355,395</b>
Surplus notes	2,260,000	2,260,000
Gross paid in and contributed surplus	443,982	443,982
Unassigned funds	16,192,361	17,092,625
<b>Total surplus</b>	<b>18,896,343</b>	<b>19,796,607</b>
<b>Total Liabilities and Surplus</b>	<b>\$42,751,327</b>	<b>\$36,152,002</b>

**NC Grange Mutual Insurance Company**  
**Statutory Statement of Operations**  
**December 31, 2018**

	2018	2017 <i>(unexamined)</i>
<b>Underwriting Income</b>		
Premiums Earned	\$ 19,068,211	\$ 18,180,673
<b>Deductions</b>		
Losses incurred	11,809,468	7,000,147
Loss adjustment expenses incurred	3,742,798	1,230,800
Other underwriting expenses incurred	5,484,385	5,802,625
Total underwriting deductions	21,036,650	14,033,572
Net underwriting gain(loss)	(1,968,439)	4,147,101
<b>Investment Income</b>		
Net investment income earned	1,182,666	1,028,470
Net realized capital gains	154,107	109,916
Net investment gain	1,336,773	1,138,386
<b>Other Income</b>		
Finance and service charges not included in premiums	83,287	84,666
Aggregate write-ins for miscellaneous income	(2,831)	2,221
Total other income	80,456	86,887
Federal income taxes incurred	(246,020)	1,709,354
<b>Net Income (Loss)</b>	<b>\$(305,190)</b>	<b>\$3,663,020</b>

**NC Grange Mutual Insurance Company**  
**Statutory Statement of Surplus**  
**December 31, 2018**

	2018	2017 <i>(unexamined)</i>
Surplus, beginning of year	\$19,796,607	\$15,051,936
Surplus increases(decreases):		
Net Income (Loss)	(305,190)	3,663,020
Change in net unrealized capital gains or (losses)	(655,895)	1,085,222
Change in net deferred income tax	37,452	28,199
Change in non-admitted assets	13,438	(21,847)
Change in provision for reinsurance	9,923	(9,923)
Change in surplus as regards policyholders for the year	(900,272)	4,744,671
<b>Surplus, end of year</b>	<b>\$18,896,335</b>	<b>\$19,796,607</b>

**NC Grange Mutual Insurance Company**  
**Statutory Statement of Cash Flow**  
**December 31, 2018**

	2018	2017 <i>(unexamined)</i>
<b>Cash From (Used By) Operations</b>		
Premiums collected net of reinsurance	\$19,404,622	\$18,567,424
Net investment income	1,241,708	1,046,428
Miscellaneous income	80,456	86,887
<b>Total</b>	<b>20,726,785</b>	<b>19,700,739</b>
Benefit and loss related payments	9,889,851	7,781,156
Commissions, expenses paid and aggregate write-ins	8,658,805	7,067,535
Federal income taxes paid	470,000	960,173
<b>Total</b>	<b>19,018,656</b>	<b>15,808,864</b>
<b>Net cash from operations</b>	<b>1,708,129</b>	<b>3,891,875</b>
<b>Cash From (Used By) Investments</b>		
Proceeds from investments sold, matured, or repaid	2,546,220	1,501,503
Cost of investments acquired	4,033,153	5,249,895
<b>Net cash used by investments</b>	<b>(1,486,932)</b>	<b>(3,748,392)</b>
<b>Cash From (Used By) Financing and Miscellaneous Sources</b>		
Other cash (applied) provided	4,628,018	(21,351)
<b>Net cash from (used by) financing and miscellaneous sources</b>	<b>4,628,018</b>	<b>(21,351)</b>
<b>Reconciliation of Cash and Short-Term Investment</b>		
Net change in cash and short-term investments	4,849,214	122,132
Cash and short-term investments, beginning of year	1,148,053	1,025,922
<b>Cash and short-term investments, end of year</b>	<b>\$5,997,267</b>	<b>\$1,148,053</b>

## COMMENTS ON FINANCIAL STATEMENTS

### **Basis of Presentation and Summary of Significant Accounting Policies:**

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

**Bonds:** Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

**Preferred stocks:** Investment grade perpetual preferred stocks are stated at fair value. Investment grade redeemable preferred stocks are stated at cost. Preferred stock at non-investment grade is stated at the lower of cost or fair value.

**Common stocks:** Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under equity method.

**Cash and short-term investments:** Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

**Premiums:** Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

**Reinsurance:** Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

**Non-admitted assets:** Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses are "non-admitted" and are charges against surplus.

**Unpaid loss & loss adjustment expense:** Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

## Analysis of Assets:

The following represents an analysis of the Company's net admitted assets:

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$23,266,307	-	\$23,266,307
Preferred stocks	75,000	-	75,000
Common stocks	10,413,862	-	10,413,862
Cash and short-term investments	5,997,267	-	5,997,267
<b>Total cash and invested assets</b>	<b>39,752,436</b>	<b>-</b>	<b>39,752,436</b>
Investment income due and accrued	267,931	-	267,931
Premiums and agents' balances in course of collection	381,325	14,514	366,811
Deferred premiums and agents' balances	970,992	-	970,992
Reinsurance recoverable	701,883	-	701,883
Federal income tax recoverable	654,898	-	654,898
Electronic data processing equipment and software	1,227	-	1,227
Furniture and equipment	5,819	5,819	-
Cash value of life insurance	35,150	-	35,150
Prepaid assets	36,747	36,747	-
Other receivables	5,000	5,000	-
<b>Total admitted assets</b>	<b>\$42,813,407</b>	<b>\$62,080</b>	<b>\$42,751,327</b>

## Reinsurance Activity:

The Company has multiple reinsurance contracts to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Company.

Direct and ceded premiums written and earned are as follows:

	2018	2017
Direct and written	\$23,376,414	\$22,162,303
Ceded written	4,061,404	3,288,236
<b>Net written</b>	<b>19,315,010</b>	<b>18,874,067</b>
Direct and earned	22,817,813	21,550,322
Ceded earned	3,749,602	3,369,649
<b>Net earned</b>	<b>\$19,068,211</b>	<b>\$18,180,673</b>

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described under the Reinsurance Program Overview.



### **Summary of Reserves:**

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	<b>Current Year</b>	<b>Prior Year</b>
Reserve for losses and loss adjustment expenses, beginning of year	\$3,433,750	\$4,999,260
<b>Add:</b>		
Provision for losses and loss adjustment expenses, current year	15,199,000	9,005,000
Change in estimated losses and loss adjustment expenses, prior years	353,266	(774,053)
<b>Total incurred</b>	<b>15,552,266</b>	<b>8,230,947</b>
<b>Deduct:</b>		
Losses and loss adjustment expenses paid, current year	10,886,000	6,669,000
Losses and loss adjustment expenses paid, prior year	1,699,953	3,127,457
<b>Total paid</b>	<b>12,585,953</b>	<b>9,796,457</b>
Reserve for losses and loss adjustment expenses, end of year	6,400,063	3,433,750
Increase in reserve for losses and loss adjustment expenses	\$2,966,313	\$(1,565,510)

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2018 and 2017, the liability for losses and loss adjustment expenses was reduced by \$5,543,000 and \$1,443,000, respectively, for amounts to be recovered from reinsurers.

### **Surplus:**

The following, in conjunction with the Statutory Statement of Surplus, represents the changes in the Company's surplus since the Department's last examination as of December 31, 2018:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Surplus, beginning of year	\$13,754,059	\$11,855,570	\$9,331,079
Surplus increases (decreases):			
Net income	677,723	2,384,475	2,501,998
Change in net unrealized capital gain (loss)	563,903	(250,755)	432,236
Change in net deferred income tax	31,332	(214,122)	(534,238)
Change in non-admitted assets	24,919	(21,109)	124,494
Change in surplus as regards policyholders for the year	1,297,877	1,898,489	2,524,490
Surplus, end of year	\$15,051,936	\$13,754,059	\$11,855,570

**NC Grange Mutual Insurance Company  
DISTRIBUTION OF REPORT ON EXAMINATION  
December 31, 2018**

**Catherine Wells, Secretary/Treasurer  
PO Box 9558  
Greensboro, North Carolina 27429**

**Robert Caldwell, President  
PO Box 9558  
Greensboro, North Carolina 27429**

**Ted Barnett, Chairman of the Board of Directors  
PO Box 9558  
Greensboro, North Carolina 27429**

## CONCLUSION

We conclude that the Company complies with the minimum surplus requirements of GS § 58-7-75(5)(b) and 58-7-75(7)(b) for the kinds of insurance that the Company has been authorized to write, which is \$520,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



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Ke Xu, CPA, CFE  
Chief Financial Examiner  
North Carolina Department of Insurance

March 4, 2020

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Keith Greene, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature: Keith Greene Date: 3/4/2020

Sworn and subscribed before me this 4 day of March, 2020.

Notary Public Signature: Djidadi B. Muhai Notary Public Seal:

