



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of NC Grange Mutual Insurance Company as of December 31, 2023 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 29th day of April, 2025.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
Financial Examination Division

NC Grange Mutual Insurance Company

Greensboro, North Carolina

Report on Examination

As of December 31, 2023

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April 24, 2025

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”), acknowledging that its main administrative office and statutory home office is 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, 2019, to December 31, 2023, 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, 2018.

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:

Capital and Surplus
Claims Handling and Reserving
Investments
Reinsurance Ceding
Underwriting and Premiums

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 Atlanta, Georgia, 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, 2023.

REPORT ACRONYMS

Board of Directors	“Board”
Certificate of Contribution	“Surplus Note”
Financial Condition Examiners Handbook	“Handbook”
General Reinsurance Corporation	“GenRe”
General Statutes of North Carolina	“GS”
North Carolina Department of Insurance	“Department”
Information Technology General Controls	“ITGC”
Information Technology Planning Questionnaire	“ITPQ”
Munich Reinsurance America, Inc.	“MunichRe”
National Association of Insurance Commissioners	“NAIC”
NC Grange Mutual Insurance Company	“Company”

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.

On February 25, 1997, the Company issued a Certificate of Contribution (“Surplus Note”) to General Reinsurance Corporation (“GenRe”) totaling \$2,000,000 paying 3.0% interest annually. On March 31, 1997, the Company issued a Surplus Note totaling \$260,000 with an annual interest rate of 6.5% to various affiliated individuals and organizations including Caldwell Insurance Agency, the Company’s president, various directors, and employees, which was repaid on December 1, 2020. (Refer to Surplus Notes)

DIVIDENDS TO POLICYHOLDER

Dividends are paid as declared by the Board of Directors (“Board”) of the Company. Under the insurance regulations of North Carolina, the Company may pay dividends from its unassigned surplus that are in excess of any required minimum surplus requirements. The Company paid no dividends during the examination period.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Policyholders

The bylaws of the Company provide that an annual meeting of the policyholders shall be held in each and every year on the third Tuesday in March at the home office of the Company in Greensboro, North Carolina or at such other place as designated by the Board for the election of directors and the transaction of other such business. Special meetings of the policyholders may be called by the chairperson of the Board or at least one-third (1/3) of the members of the Board or 100 or more policyholders.

Board of Directors

The business of the Company is conducted by its management team and is subject to review by the Board. The bylaws specify that the number of directors shall be no fewer than nine (9) and no more than twelve (12), with no fewer than one-third (1/3) being policyholders of the Company. No person serving as President or Vice President of the Company shall be eligible for election as an elected director while serving in such office. Each elected director serves a three (3) year term and can serve up to three (3) full consecutive terms. Directors are elected at each annual meeting of policyholders as needed to fill open director positions.

The following individuals served as directors as of December 31, 2023:

Name	Location	Principal Occupation
Judith Barnes	Newton Grove, North Carolina	Retired
Irvin Dailey III	Yanceyville, North Carolina	Licensed Insurance Agent, Caswell Insurance Services
Charles Hagan	Greensboro, North Carolina	Attorney, Offit Kirman, PA
Scott North	Greensboro, North Carolina	Church Administrator, First Baptist Church
Michael Whiteside	Asheville, North Carolina	Licensed Insurance Agent, Western Heritage Insurance Agency
Kelli Coley	Greensboro, North Carolina	Director of Development, Salvation Army
John Denson IV	Mocksville, North Carolina	Independent Insurance Adjuster
Kevin Hair	Winston Salem, North Carolina	General Contractor, City Restoration LLC
Larry Putnam	Greensboro, North Carolina	Retired Certified Public Accountant

The Board has established two committees, including an Audit Committee and an Executive Committee, to act on behalf of the Company.

The following individuals served on committees as of December 31, 2023:

Audit Committee

Larry Putnam (Chair)
Charles Hagan
Scott North
John Denson IV
Michael Whiteside

Executive Committee

Larry Putnam (Chair)
Judith Barnes
Irvin Dailey III
John Denson IV
Charles Hagan

Officers

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company consist of a president, vice president, secretary, treasurer, other vice presidents as may be deemed necessary and any assistant officers as the Board may deem advisable. One person may hold more than one office, except the same person shall not be elected president and secretary. All officers shall hold office, subject to the pleasure of the Board of Directors.

The following individuals served as officers of the Company as of December 31, 2023:

Name	Title
Catherine Wells	President / Treasurer
Elizabeth Owenby	Vice President / Secretary
Gina Tuttle	Assistant Vice President - Underwriting

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 that the Company acted in accordance with its policies and procedures 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. On March 17, 2020, the Company amended its bylaws to include the following changes: 1) to allow the Board to set a location for the annual meeting at a place other than the Company's home office; 2) to reduce the number of votes to meet a quorum from 75 to 50; 3) to lower the number of Board members required to be policyholders to one-third (1/3) of the Board; 4) to prohibit a president or vice president from service as an elected director for at least one year after last serving in that role; and 5) to change the notice requirement of Board meetings to include any regularly accepted form of written communication. Based on our review, it appears that no other changes to the Company's articles of incorporation or bylaws were made during the examination period.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. At December 31, 2023, the Company maintained a statutory deposit in North Carolina totaling \$1,110,365.

ACCOUNTS AND RECORDS

The Company's books and records are maintained at the main administrative office at 2751 Patterson Street, Greensboro, North Carolina 27407.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the Company's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs were derived from Exhibit C Part 1 – Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – Information Technology Work Program (collectively, "Exhibit C"). The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

- a. the Company had a process in place to effectively identify, mitigate and manage its IT risks;
- b. the Company's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- c. the Company was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Company's policies and procedures, testing in key areas related to Exhibit C, interviewing the Company's IT management, reviewing IT risk assessment processes and leveraging relevant risk assessment procedures performed by RSM US, LLP.

Based upon the risk-based assessment and review, the Company's ITGCs were determined to be effective.

FIDELITY BONDS

At December 31, 2023, the Company had fidelity bond coverage totaling \$1,000,000 in aggregate, which exceeded the minimum amount of fidelity bond coverage recommended by the Handbook.

EMPLOYEE BENEFIT PLANS

The Company participates in a fully vested and insured 401(k) plan covering all full-time employees. The Company's Board sets contributions that are applied equally to all employees. In 2023, the Company contributed an amount equal to five percent (5%) of each participating employee's salary to the 401(k) plan. The Company incurred plan expenses totaling \$57,125 and \$114,531 in 2023 and 2022, respectively.

TERRITORY AND PLAN OF OPERATION

The Company writes property and liability insurance, providing dwelling fire, allied line coverages, and multiple peril for farm-owners, homeowners and commercial policyholders in North Carolina. 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 December 31, 2023:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2023	\$52,141,576	\$28,316,459	\$30,716,349	\$19,740,571	\$(387,851)
2022	\$49,686,714	\$27,277,825	\$26,285,635	\$19,470,236	\$(1,675,366)
2021	\$51,790,576	\$30,300,162	\$25,029,403	\$18,853,451	\$1,586,217
2020	\$46,552,469	\$25,827,482	\$24,425,431	\$19,181,217	\$1,985,622
2019	\$43,800,786	\$22,875,116	\$24,366,225	\$18,774,356	\$1,981,192

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 2023 were reviewed and certified by the Company's Appointed Actuary, Robert W. Van Epps, FCAS, MAAA, of The Actuarial Advantage, Inc. 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 reserves for losses and loss adjustment expenses 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 GenRe effective January 1, 2023, which covers up to \$700,000 in excess of the first \$300,000 per risk on its property and liability lines of business including fire, allied lines, commercial peril, farm-owner peril and homeowners' peril. The Company ceded premiums totaling approximately \$1,075,000 and \$652,000 in 2023 and 2022, respectively, to GenRe under this contract.

Facultative Coverage

The Company has a property facultative contract with GenRe effective January 1, 2023, which covers up to \$2,000,000 of the Company's net liability in excess of \$1,000,000 per risk and limits GenRe's liability to \$6,000,000 with respect to all net loss and loss adjustment expenses combined on all risks involved in one occurrence during the term of this agreement, regardless of the effective date or ceded dates of the policies involved. The Company ceded premiums totaling approximately \$120,000 and \$84,000 in 2023 and 2022, respectively, to GenRe under this contract.

Catastrophe Coverage

The Company has a property catastrophe excess of loss reinsurance contract effective January 1, 2023, with various reinsurers participating at specified levels. The Company utilizes Guy Carpenter 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 \$2,500,000 up to \$77,500,000. The amount of coverage provided and limitations for each layer is as follows:

Layer	Company Retention	Percentage Placed	Reinsurer per Occurrence Limit	Reinsurer Annual Limit
First	\$2,500,000	83.50%	\$5,000,000	\$10,000,000
Second	\$7,500,000	100.00%	\$12,500,000	\$25,000,000
Third	\$20,000,000	100.00%	\$40,000,000	\$80,000,000
Fourth	\$60,000,000	70.50%	\$20,000,000	\$40,000,000

The Company ceded premiums totaling approximately \$6,300,000 and \$4,424,000 in 2023 and 2022, respectively, under this contract.

Quota Share Inland Flood Coverage

The Company has a quota share reinsurance agreement with Munich Reinsurance America, Inc. ("MunichRe") effective January 1, 2023, whereby the Company cedes 100% of its inland flood loss liability to MunichRe under its policies occurring on or after the effective date of the agreement. The liability of MunichRe shall not exceed \$25,000 of the net loss on any one policy, any one flood occurrence nor \$50,000 annual aggregate per policy. The Company ceded premiums totaling approximately \$488,000 and \$483,000 in 2023 and 2022, respectively, to MunichRe under this contract.

Quota Share Equipment Breakdown Coverage

The Company has a quota share reinsurance agreement with Factory Mutual Insurance Company effective April 1, 2018, whereby the Company cedes 100% of its loss liability for equipment breakdown endorsements on homeowner and farm-owner policies. Under the contract, the reinsurer's liability cannot exceed \$100,000 on any one risk without a written agreement from the reinsurer. The Company ceded premiums totaling approximately \$737,000 and \$606,000 in 2023 and 2022, respectively, to Factory Mutual Insurance Company under this contract.

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, 2023. 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, 2022, are unexamined and are presented for comparative purposes only.

NC Grange Mutual Insurance Company
Statutory Statement of Admitted Assets
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Bonds	\$25,893,882	\$26,315,255
Preferred stocks	363,290	261,027
Common stocks	20,156,121	18,846,457
Cash, cash equivalents and short-term investments	3,215,829	1,510,617
Total cash and invested assets	49,629,122	46,933,356
Investment income due and accrued	335,474	336,873
Uncollected premiums and agents' balances in course of collection	525,271	364,042
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,316,314	1,076,571
Amounts recoverable from reinsurers	31,031	352,821
Current federal and foreign income tax recoverable and interest thereon	262,013	579,497
Guaranty funds receivable or on deposit	2,201	4,402
Cash value of life insurance	40,150	39,150
Total admitted assets	\$52,141,576	\$49,686,714

NC Grange Mutual Insurance Company
Statutory Statement of Liabilities, Surplus and Other Funds
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Losses	\$4,647,343	\$6,123,990
Loss adjustment expenses	178,333	235,645
Commissions payable, contingent commissions and other similar charges	780,813	662,259
Other expenses	188,684	15,159
Taxes, licenses, and fees	124,646	35,388
Net deferred tax liability	1,427,232	1,201,341
Unearned premiums	14,855,556	12,600,336
Advance premium	617,228	635,571
Ceded reinsurance premiums payable	948,743	102,174
Funds held by company under reinsurance treaties	-	736,784
Amounts withheld or retained by company for account of others	51,445	31,701
Provision for reinsurance	4,694	28,000
Unapplied cash	400	543
Total liabilities	23,825,117	22,408,889
Surplus notes	2,000,000	2,000,000
Gross paid in and contributed surplus	443,982	443,982
Unassigned funds	25,872,477	24,833,843
Total surplus	28,316,459	27,277,825
Total liabilities and surplus	\$52,141,576	\$49,686,714

NC Grange Mutual Insurance Company
Statutory Statement of Income
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Underwriting Income (Loss)		
Premiums earned	\$19,740,571	\$19,470,236
Deductions		
Losses incurred	12,310,805	14,511,951
Loss adjustment expenses incurred	1,652,379	1,756,725
Other underwriting expenses incurred	7,645,627	6,390,580
Total underwriting deductions	21,608,810	22,658,806
Net underwriting loss	(1,868,239)	(3,188,569)
Investment Income		
Net investment income earned	1,514,866	1,472,103
Net realized capital gains (losses)	(130,371)	(391,733)
Net investment gain	1,384,495	1,080,370
Other Income		
Finance and service charges not included in premiums	77,813	66,872
Other income & expense	(15,018)	6,418
Commission income	57	75
Total other income	62,852	73,365
Net income before dividends to policyholders	(420,892)	(2,034,834)
Federal and foreign income taxes incurred	(33,041)	(359,468)
Net loss	\$(387,851)	\$(1,675,366)

NC Grange Mutual Insurance Company
Statutory Statement of Changes in Surplus
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Surplus as regards policyholders, beginning of year	\$27,277,829	\$30,300,161
Surplus increases (decreases):		
Net loss	(387,851)	(1,675,366)
Change in net unrealized capital gains or (losses)	1,633,120	(1,817,058)
Change in net deferred income tax	(225,891)	514,703
Change in non-admitted assets	(4,047)	(16,611)
Change in provision for reinsurance	23,306	(28,000)
Change in surplus as regards policyholders for the year	1,038,637	(3,022,332)
Surplus as regards policyholders, end of year	\$28,316,465	\$27,277,829

NC Grange Mutual Insurance Company
Statutory Statement of Cash Flow
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Cash from (used by) operations		
Premiums collected net of reinsurance	\$22,411,811	\$20,074,524
Net investment income	1,614,745	1,516,255
Miscellaneous income	62,852	73,365
Total	24,089,409	21,664,143
Benefit and loss related payments	13,465,661	13,573,786
Commissions, expenses paid and aggregate write-ins	8,973,981	8,271,014
Federal and foreign income taxes paid	(351,233)	70,000
Total	22,088,409	21,914,801
Net cash from (used by) operations	2,001,000	(250,658)
Cash from (used by) investments		
Proceeds from investments sold, matured, or repaid	1,415,961	2,189,220
Cost of investments acquired	1,002,803	3,347,742
Net cash from (used by) investments	413,159	(1,158,522)
Cash used by financing and miscellaneous sources		
Other cash provided (applied)	(708,794)	(17,716)
Net cash used by financing and miscellaneous sources	(708,794)	(17,716)
Reconciliation of cash and short-term investments		
Net change in cash and short-term investments	1,705,364	(1,426,895)
Cash and short-term investments, beginning of year	1,510,617	2,937,503
Cash and short-term investments, end of year	\$3,215,982	\$1,510,608

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: Bonds with an NAIC rating of one or two are carried at amortized cost, whereas bonds with an NAIC rating of three through six are carried at the lesser of amortized cost or fair value with unrealized gains and losses reported as a separate component of statutory surplus. If it is determined that a decline in fair value is other than temporary, the carrying amount of the investment is written down to fair value as a realized loss.

Preferred stocks: Callable preferred stocks rated P1 or P2 are reported at amortized cost. All other callable preferred stocks are reported at the lower of cost or fair market value. Non-callable preferred stocks rated P1 and P2 are reported at market in accordance with NAIC's Securities Valuation Office values. All other non-callable preferred stocks are valued at the lower of cost or market.

Common stocks: Equity securities are stated at fair value.

Cash, cash equivalents 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.

Loan-backed securities: Stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities except for interest only securities or securities where the yield has become negative, which are valued using the prospective method.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned ratably over the period covered by the policies. Unearned premiums are computed on a daily pro rata basis and represent premiums related to the unexpired terms of policies in force. Unearned premiums are stated net of amounts related to reinsurance ceded to other insurers.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported 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, furniture, equipment, supplies and prepaid expenses are "non-admitted" and are charged directly to unassigned 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 Company reported the following assets as non-admitted as of December 31, 2023: 1) Uncollected premiums and agents' balances in the course of collection totaling \$37,914 and 2) Prepaid assets totaling \$62,208.

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. The Company utilizes Guy Carpenter as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	2023	2022
Direct written	\$30,716,349	\$26,285,635
Ceded written	8,720,558	6,248,633
Net written	21,995,792	20,037,003
Direct earned	28,208,974	25,655,662
Ceded earned	8,467,403	6,185,426
Net earned	\$19,741,571	\$19,470,236

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:

	2023	2022
Reserves for losses and loss adjustment expenses beginning of year	\$6,359,635	\$5,454,998
Add:		
Provision for losses and loss adjustment expenses, current year	15,339,000	17,032,000
Change in estimated losses and loss adjustment expenses, prior years	(1,375,816)	(763,774)
Total incurred	13,963,184	16,268,226
Deduct:		
Losses and loss adjustment expenses paid, current year	10,961,000	12,162,000
Losses and loss adjustment expenses paid, prior year	4,536,143	3,201,589
Total paid	15,497,143	15,363,589
Reserves for losses and loss adjustment expenses, end of year	4,825,676	6,359,635
Increase in reserves for losses and loss adjustment expenses	\$(1,533,959)	\$(904,637)

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, 2023, and 2022, the liability for losses and loss adjustment expenses was reduced by \$2,286,000 and \$1,383,000, respectively, for amounts to be recovered from reinsurers.

Surplus:

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

	2021	2020	2019
Surplus, beginning of year	\$25,827,483	\$22,875,116	\$18,896,335
Surplus increases (decreases):			
Net income	1,586,217	1,985,622	1,981,192
Change in net unrealized capital gain	2,877,285	1,085,958	2,045,030
Change in net deferred income tax	18,431	125,222	(23,747)
Change in non-admitted assets	(15,255)	21,564	(23,693)
Change in provision for reinsurance	6,000	(6,000)	-
Change in surplus notes	-	(260,000)	-
Change in surplus as regards policyholders for the year	4,472,678	2,952,367	3,978,781
Surplus, end of year	\$30,300,161	\$25,827,483	\$22,875,116

Surplus Notes:

Surplus Notes impose no restrictions on the Company making distributions to members. The principal sum of its Surplus Notes is not payable in whole or in part without written approval of the Department.

On December 1, 2020, the Company, with written approval from the Department, repaid the full principal balance of the \$260,000 Surplus Note issued to various affiliated individuals and organizations.

At December 31, 2023, the Company had one Surplus Note outstanding to GenRe in the amount of \$2,000,000. Annual interest on the Surplus Note is \$60,000, which is paid on January 1st and July 1st each year. At December 31, 2023, the Company has interest payable totaling \$30,000.

SUBSEQUENT EVENTS

On September 27, 2024, Hurricane Helene passed through western North Carolina, resulting in significant damage throughout the region. The Company was financially impacted by the catastrophic event with 615 reported claims. The Company has reserved approximately \$4,200,000 related to this catastrophic event.

NC Grange Mutual Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2023

Catherine Wells, President/Treasurer
2751 Patterson Street
Greensboro, North Carolina 27407

Larry Putnam, Chairman of the Board
2751 Patterson Street
Greensboro, North Carolina 27407

CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$700,000.

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

Respectfully submitted,



Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

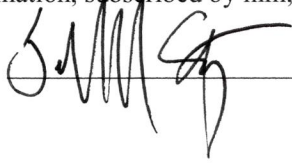
April 24, 2025

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Jeffrey Streyle, 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:



Date:

4/24/25

Sworn and subscribed before me this 24 day of April, 2025.

Notary Public Signature:



Notary Public Seal:

