

FEB 24 2023

CERTIFICATION

FILED

February 24, 2023

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

GRANGE MUTUAL INSURANCE COMPANY OF CUSTER COUNTY

AS OF

DECEMBER 31, 2021

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning".

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

GRANGE MUTUAL INSURANCE COMPANY OF CUSTER COUNTY

420 SOUTH 8TH AVENUE

BROKEN BOW, NEBRASKA 68822

dated as of December 31, 2021, verified under oath by the examiner-in-charge on January 27, 2023, and received by the company on January 31, 2023, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 14th day of February 2023.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford".

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

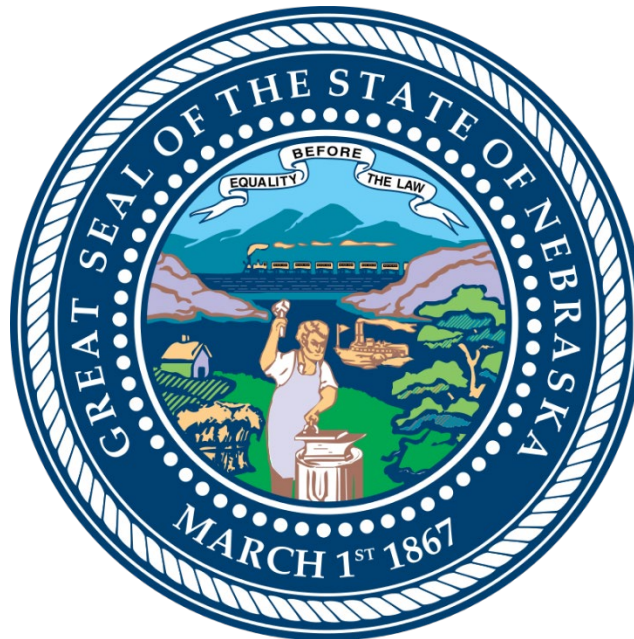
EXAMINATION REPORT

OF

GRANGE MUTUAL INSURANCE COMPANY OF CUSTER COUNTY

as of

December 31, 2021



Lincoln, Nebraska
January 18, 2023

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

GRANGE MUTUAL INSURANCE COMPANY OF CUSTER COUNTY
420 South 8th Avenue
Broken Bow, Nebraska 68822

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2017. The current financial condition examination covers the intervening period to and includes the close of business on December 31, 2021 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

The Nebraska Department of Insurance conducted this examination pursuant to and in accordance with the provisions of Section §44-5904(1) of the Nebraska Insurance Statutes.

The Nebraska Department of Insurance made a general review of the Company’s operations and the manner in which its business has been conducted in order to determine

compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Members and Board of Directors held during the examination period were read and noted. Attendance at meetings and election of Directors and Officers were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. The Certificate of Authority to conduct the business of insurance in the State of Nebraska was inspected and a survey was made of the Company's general plan of operation.

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the substantive examination process.

All accounts and activities of the Company were considered in accordance with the provisions of Section §44-5904(1) of the Nebraska Insurance Statutes. The assets were verified and evaluated, and the liabilities were determined in order to present the statement of the Company's financial condition as of December 31, 2021.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated on July 29, 1912, as a fire, lightning, windstorm, and tornado company operating under the assessment plan in the County of Custer, Nebraska.

Effective April 16, 2018, the Director of Insurance found the Company to be in hazardous condition and issued an Order of Supervision pursuant to Section §44-4809(2)(a)(i) of the Nebraska Insurance Statutes. The Company's reinsurance program when compared to its projected policyholder premiums, operating expenses, and its claims retention for the 2018 calendar year was likely to continue to deteriorate the Company's net surplus deficit. The 2015 surplus notes issued to Security State Bank contained supplemental agreements which gave the bank the right to withhold deposited funds. These supplemental agreements were not submitted to or approved by the Nebraska Department of Insurance.

Subsequent to the Order of Supervision, the Company has entered into a 100% Quota Share reinsurance agreement with Farmers Mutual United Insurance Company (FMU) to cover its retention under the Nebraska Farmers Mutual Reinsurance Agreement. Further, the Company has increased premium rates and obtained release of the deposits withheld by Security State Bank.

MANAGEMENT AND CONTROL

Members

Article IV of the Articles of Incorporation provides that, "the membership of the Company shall be limited to those persons or organizations having insurance in full force and effect. Membership and insurance may be obtained only by written application signed by the applicant and shall commence only when approved by the Secretary or his authorized

representative and shall cease when such insurance is cancelled or terminates from any other cause. The application shall be considered a part of the policy.” Further, Article V states that, “the annual membership meeting shall be held at Broken Bow, Nebraska, on the third Wednesday in February of each year, commencing at 1:30 o’clock P.M. Special membership meetings may be called by the Board of Directors at any time and shall be called upon petition of one-fourth of the Members of the Company. Due notice of the time and place of such special meetings shall be given the membership. Each Member shall be entitled to one vote in the election of Directors and on all matters coming before any membership meeting, and if unable to attend in person, may appoint any Officer, Director or Member as his proxy to vote his policy.”

Surplus Note

On November 23, 2011, the Company obtained authorization to issue surplus notes in the amount of \$10,000 per note, up to a maximum amount of \$340,000 from the Nebraska Department of Insurance. The notes were issued with fixed interest rates of 4% per annum for terms of ten (10) years. The 2021 yearend balance of this note is \$240,000

On December 22, 2015, the Company obtained authorization to issue surplus notes in the amount of \$10,000 per note, up to a maximum amount of \$200,000 from the Nebraska Department of Insurance. The notes were issued with fixed interest rates of 4% per annum for terms of ten (10) years. The 2021 yearend balance of this note is \$200,000.

Repayment of the surplus notes or payment of interest shall be made only with the approval of the Director of Insurance. No repayments were made during the exam period.

Board of Directors

Article I of the By-Laws states that, “...the business and affairs of the Company shall be managed by a Board of Directors consisting of at least five (5) and no more than nine (9)

Directors.” Article VI of the Articles of Incorporation states, “...each elected by a majority vote of the annual meeting for a term of three years or until his successor is duly elected and qualified.”

Article I, Section 6 of the By-Laws states that, “the annual meeting...shall be held at the same place as the annual meeting of Members unless some other place is agreed upon by vote of a majority of the ten elected Board of Directors.” The reference to “ten elected Board of Directors” contradicts the limit of nine Directors noted in Article VI of the Articles of Incorporation. It is recommended the By-Laws be amended for the inconsistency between the number of Directors noted in the By-Laws and Articles of Incorporation.

It was noted during review of the minutes for the meeting of the Board of Directors that investment activity was not reviewed quarterly as required by Nebraska Insurance Statute §44-5105(3). It is recommended that the Company comply with the Nebraska Insurers Investment Act and ensure that the Board of Directors, on no less than a quarterly basis, receive and review a summary report of the Company’s investment portfolio, activities, and practices, in order to verify the investment activity is consistent with its written investment plan.

The following persons were serving as Directors at December 31, 2021:

<u>Name</u>	<u>Residency</u>	<u>Term Expires</u>
Julie Hueftle	Broken Bow, Nebraska	2022
Trent Russell	Milburn, Nebraska	2022
Tom Bernard	Chadron, Nebraska	2023
Bill Brush	North Loup, Nebraska	2023
Hunter Goldsby	Berwyn, Nebraska	2024
Silas Phillips	Erie, Colorado	2024
Tom Spahn	Ogallala, Nebraska	2024

Officers

Article II, Section I of the By-Laws states that, “the Officers of the Company shall be a President, one or more Vice Presidents (as the Board of Directors shall determine), a Secretary and a Treasurer and such other Officers and agents as may be deemed necessary by the Board of Directors. Any two or more offices may be held by the same person.”

Article II, Section II of the By-Laws states that, “the Officers of the Company shall be elected by the Board of Directors at its annual meeting. Each Officer shall hold office for a term of one year or until his or her successor shall have been duly elected...” It was noted during review of the Board of Director and Member minutes that the Board was not electing the Officers but rather they were being elected at the Member meeting. It is recommended that the Officers are elected at the annual meeting of the Board of Directors.

The following is a listing of Officers elected and serving the Company at December 31, 2021:

<u>Name</u>	<u>Office</u>
Bill Brush	President
Tom Spahn	Vice President
Tori Forrester	Secretary
Katie Badgley	Treasurer

FIDELITY BOND AND OTHER INSURANCE

The Company maintains a fidelity bond coverage in the amount of \$100,000 with Grinnell Mutual Reinsurance Company.

The Company carries a Directors and Officers liability policy with NAMICO, in the amount of \$250,000, subject to a \$10,000 deductible. The Company also has a professional liability policy with NAMICO in the amount of \$250,000, that is also subject to a \$10,000 deductible.

TERRITORY AND PLAN OF OPERATION

As evidenced by a current Certificate of Authority, the Company is licensed to transact business in the State of Nebraska, as specified under §44-201, subsections 5 and 18 of the Nebraska Insurance Code, which are Property Insurance and Marine Insurance.

The Company utilizes a series of policy forms, which comprise both casualty and liability coverage. The policies are sold by local agencies and by the Company itself.

The Company has available to its members comprehensive personal and general liability coverages underwritten by Nebraska Farmers Mutual Reinsurance Association of Wahoo, Nebraska (NFMRA) through the Nebraska Farmers Agency Company.

REINSURANCE

Ceded

The Company is a member of the NFMRA and used the reinsurance facilities of NFMRA for each year covered by this examination. Under the contract of 2021, the Company retained a liability up to an amount equal to \$2,700 per million of the 2021 average insurance in force. After this aggregate retention was incurred, NFMRA assumed 100% of any additional liability. The Company's aggregate retention for 2021 was noted as being \$529,377.

Prior to incurring the above retention, the reinsurer assumes 100% of any insured loss on a single risk in excess of \$40,000. Recoveries made which are greater than recoveries available under the aggregate coverage are deducted from subsequent aggregate recoveries. If the Company makes recoveries under this coverage but their net losses do not exceed their aggregate retention for the year, the amount recovered per risk between the single risk retention and 1/8th of 1% of the January 1 insurance in-force is to be refunded to NFMRA prior to March 1 of the next

year. This excess per risk coverage is not applicable once the ultimate net losses exceed the ultimate retention.

This contract also provides that the Company retain for its own account the first \$1,000 of each risk, each loss, as respects mobile home risks located in trailer courts. NFMRA's limit of coverage shall be \$48,000 for losses in any one-trailer court, with two or more trailers in any one location constituting a trailer court.

Review of the contract noted that the agreement does not require reporting of losses on a quarterly basis, which is required by NAIC Accounting Practices and Procedures Manual SSAP No. 62R, paragraph 8d. It is recommended that the reinsurance agreement with NFMRA be amended to include verbiage that requires quarterly reporting of losses, and as such, reimbursement for loss payments on at least a quarterly basis.

The Company also maintains a 100% Quota Share reinsurance agreement with FMU. Property policies issued by the Company covered under this Contract are identical to and do not exceed policies covered by the NFMRA Property Reinsurance Contract with Grange. FMU's liability, as respect to the losses occurring during the first Contract Year, shall not exceed an amount equal to the Ultimate Retention of the Company, as defined in the NFRMA Contract, minus losses that occurred in 2018 prior to the effective date of this Contract. The agreement has an effective date April 19, 2018.

The Company is retaining ceding commission of 22.5% while the agreement lists the commission as 20%. It is recommended that the Company amend the reinsurance agreement with FMU to include the necessary ceding commission changes.

The Company also cedes 100% of their equipment breakdown and service line coverage, effective July 1st, 2017, to Mutual Boiler Re (MBre). MBre is paid a set fee per policy for coverage and receives a ceding commission of 30%.

General

The reviewed contract contained a standard insolvency clause, an offset clause, and an errors and omissions clause. All contracts contained the entire agreement clause as required per SSAP No. 62R, paragraph 8c of the NAIC Accounting Practices and Procedures Manual.

BODY OF REPORT

FINANCIAL STATEMENTS

The following statement of assets and liabilities, together with the accompanying statement of income and disbursements, reflects the financial condition of the Company at December 31, 2021. All amounts are based on the findings of the current examination:

STATEMENT OF INCOME AND DISBURSEMENTS

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Balance, beginning of year	\$ 773,522	\$ 571,705	\$ 322,860	\$ 340,365
<u>Income</u>				
Gross receipts from assessments	\$1,810,780	\$1,789,608	\$1,899,971	\$1,920,028
Gross membership fees	<u>68,294</u>	<u>62,189</u>	<u>61,801</u>	<u>60,761</u>
Net received from members	\$1,879,074	\$1,851,797	\$1,961,772	\$1,980,789
Interest on investments	462,941	11,087	9,118	3,324
Profit sharing				875
Liability premiums		2,767	6,795	131,441
Unrealized gain (loss)				(4,082)
Prior year commission payable removed	35,728			
Prior year premiums collected in advance removed	24,470			
Prior year commission payable removed	(10,728)			
Prior year accumulated surplus note interest payable removed	(1,228)			

STATEMENT OF INCOME AND DISBURSEMENTS – continued

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Unlocated variance	\$ (1,321)	_____	_____	_____
Total income	<u>\$2,388,936</u>	<u>\$1,865,651</u>	<u>\$1,977,685</u>	<u>\$2,112,347</u>
Gross losses paid	\$1,056,325	\$2,923,879	\$1,034,281	\$ 635,126
Less recovered from reinsurance	<u>161,757</u>	<u>2,223,602</u>	<u>391,691</u>	<u>585,742</u>
Net losses paid	\$ 894,568	\$ 700,277	\$ 642,590	\$ 49,384
Adjusting expense	86,976	190,480	61,822	47,523
Commissions to agents	261,833	212,644	241,799	245,983
Salaries of office employees	91,029	81,638	84,983	92,000
Rent	10,150	7,200	7,200	6,600
Insurance department licenses & fees		38,373		
All other taxes	27,364	28,262	30,984	32,158
Advertising, printing and stationery	368	129	130	130
Telephone & postage	2,002	3,885	3,054	4,692
Reinsurance premiums paid	531,885	790,707	829,558	1,510,659
Interest on borrowed money	18,111	46		
Liability premiums	4,199			118,388
Travel				1,284
Meals				464
Insurance and bonding				10,086
Office supplies				945
Credit card fees				3,036
Miscelenous expense				5,692
Other expense				323
Accounting fees				6,547
Office expense	10,347	9,489	6,635	
Management fees	7,550			
Professional dues	6,230	6,245	7,622	7,306
Education	183	168	383	361
Technology support	10,272	8,005	6,837	6,996
Office equipment	4,643	3,808	3,610	2,051
Computer & EDP equipment	8,109	3,518	2,829	524
Professional services	9,580	10,365	5,960	
Bank charges	177	134	331	583
Legal expense	1,126	173		100
Other expenses	22,585	18,354	19,386	
Software maintenance		445	4,301	4,463
Annual meeting	112	154	164	34
Over/under		(2)		1,625

STATEMENT OF INCOME AND DISBURSEMENTS – continued

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Borrowed money repaid	\$ 582,354	_____	_____	_____
Total disbursements	<u>\$2,590,753</u>	<u>\$2,114,496</u>	<u>\$1,960,180</u>	<u>\$2,159,937</u>
Balance, end of year	<u>\$ 571,705</u>	<u>\$ 322,860</u>	<u>\$ 340,365</u>	<u>\$ 292,775</u>

STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2021

ASSETS

Ledger Assets

Bonds	\$165,928	
Certificates of deposit	65,946	
Other cash deposited in banks	<u>60,899</u>	
Total ledger assets		<u>\$292,773</u>

Non-Ledger Assets

Reinsurance recoverable	<u>\$ 2,999</u>	
Total non-ledger assets		<u>\$ 2,999</u>
Total admitted assets		<u>\$295,772</u>

LIABILITIES AND SURPLUS

Amount of losses adjusted and unpaid	\$ 21,676
Less reinsurance	(21,676)
Quota share reinsurance payable	28,644
Payroll taxes payable	780
Premium tax payable	8,879
Liability premiums payable	<u>6,412</u>
Total liabilities	<u>\$ 44,715</u>
Capital surplus notes	\$ 440,000
Surplus as regards policyholders	<u>(188,943)</u>
Total liabilities and surplus	<u>\$ 295,772</u>

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

Articles and By-Laws – It is recommended that the Company amend its Articles of Incorporation, By-Laws, or both to address inconsistencies regarding term durations and the maximum number of elected Directors that are allowed on the Board.

Action: The Company partially complied with this recommendation. A recommendation will be repeated under the caption “Summary of Comments and Recommendations” in this report.

Quarterly Investment Activity Review – It is recommended that the Company comply with the Nebraska Insurers Investment Act and ensure that the Board of Directors, on no less than a quarterly basis, receive and review a summary report of the Company’s investment portfolio, activities, and practices, in order to verify the investment activity is consistent with its written investment plan.

Action: The Company has not complied with this recommendation. This recommendation will be repeated under the caption “Summary of Comments and Recommendations” in this report.

Annual Member Meeting Minutes – It is suggested that the annual member meeting minutes document all Director resignations, terminations, and elections that occur during the period from the previous meeting.

Action: The Company has complied with this recommendation.

Conflict of Interest Statement – It is suggested that the Company require each of its Directors and Officers to complete a conflict of interest statement on an annual basis.

Action: The Company has complied with this recommendation.

Fidelity Bond – It is recommended that the Company obtain at least \$75,000 fidelity coverage to comply with the minimum fidelity insurance required by Exhibit R of the NAIC Financial Condition Examiners Handbook.

Action: The Company has complied with this recommendation.

Reinsurance Reporting Frequency – It is recommended that the reinsurance agreement with NFMRA be amended to include verbiage that requires quarterly reporting of losses, and as such, reimbursement for loss payments on at least a quarterly basis.

Action: The Company has not complied with this recommendation. This recommendation will be repeated under the caption “Summary of Comments and Recommendations” in this report.

Custodial Agreement – It is recommended that the Company amend its existing custodial agreement to address Nebraska Administrative Rules and Regulations Title Chapter 81.003.02, provisions (e) and (j).

Action: The Company has not complied with this recommendation. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

Bonds – It is recommended that the Company properly segregate the assets and report bonds separate from common stocks.

Action: The Company has complied with this recommendation.

Cash – It is recommended that the asset of cash be reported on page 5, line 8, whether the balance is positive or negative.

Action: The Company has complied with this recommendation.

Non-ledger Cost of Options – It is recommended that investments in options be reported at cost value as a non-ledger adjustment to appropriately reflect investments held by the Company.

Action: The Company has complied with this recommendation.

Unrealized Gain on Investments – It is recommended that the Company report all of its unrealized gains or losses as a non-ledger entry to accurately reflect the market value of the stocks and the amortized value of its bond.

Action: The Company has complied with this recommendation.

Customer Receivables – It is recommended that the Company report premium receivables in their entirety as an asset, then deduct the non-admitted portion subsequently in the Annual Statement.

Action: The Company has complied with this recommendation.

Gross Receipts from Assessments – It is recommended for future examinations, that the Company work with its system provider to retain documentation that supports the year-end premium collected accounts within the general ledger. During this exam, the specific report was titled “2017 Policy Activity Report.”

Action: The Company has complied with this recommendation.

The Insurance Center Expense – It is suggested that if the agreement with TIC continues, it be amended to reflect changes to the fee structure.

Action: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Interest on Investments **\$ 3,324**

The Company is reporting profit sharing income from the Factory Mutual Insurance Company equipment breakdown and service line reinsurance treaty as interest on investments. It is recommended that the Company report profit sharing income from the Factory Mutual Insurance Company equipment breakdown and service line reinsurance treaty as a write in on page 3 line 13. This amount, \$875, has been removed from this balance and the remaining \$3,3324 is correctly applied to this line item.

Profit Sharing **\$ 875**

This represents profit sharing income from the Factory Mutual Insurance Company equipment breakdown and service line reinsurance treaty.

Liability Premiums **\$131,441**

This represents premiums received on behalf of others including NFMRA, IMT, and MBre. The Company was previously reporting the liability premiums collected and paid as a net amount. It is recommended that the Company report premiums received on behalf of NFMRA, IMT, and MBre on page 3, Line 12, “Liability Premiums” in future annual statements.

Unrealized Gain/Loss **\$(4,082)**

This represents the net unrealized capital gains on the Company’s invested funds. The Company was reporting this amount as liability premiums on page 3, line 12. It is recommended that the Company report the unrealized capital loss as a separate write-in on page 3, line 14.

Less Recovered from Reinsurance **\$ 585,742**

Losses recovered from FMU reported on the Annual Statement page 4, line 21, “Reinsurance premiums paid,” should be included on line 4, page 4, “Less recovered from reinsurance” for a total recovered of \$585,742. It is recommended that all recovered losses under reinsurance agreements be reported on Annual Statement page 4, line 4, “Less recovered from reinsurance.”

Reinsurance Premiums Paid **\$1,510,659**

Amounts recovered from reinsurance from FMU are reported as a reduction in reinsurance premiums. Reinsurance premiums paid should be increased for the losses recovered. It is recommended that all recovered losses under reinsurance agreements be reported on Annual Statement page 4, line 4, “Less recovered from reinsurance.” The remaining amount represents only the reinsurance premiums paid to FMU and NFMRA.

Liability Premiums **\$(118,388)**

This represents premiums paid to others including NFMRA, IMT, and MBre. It is recommended the Company report the premiums paid to IMT, MBre, and NFMRA through NFA on page 4, line 23, “Liability Premiums” of future annual statements.

Bonds **\$165,928**

This asset consists of bonds held with Morgan Stanley Smith Barney, LLC (Morgan Stanley). These assets were verified by obtaining a direct confirmation from the bank.

Certificate of Deposit **\$ 65,946**

This asset consisted of a certificate of deposit held with Morgan Stanley. This deposit was verified by obtaining a direct confirmation from the bank.

Cash Deposited in Banks**\$ 60,899**

This asset consisted of a checking account with Security State Bank located in Ansley, Nebraska and funds held with Morgan Stanley. These deposits were verified by obtaining a direct confirmation from each bank. The amount indicated thereon for the checking account was reconciled to the Company's records as of December 31, 2021, by giving consideration to outstanding checks.

Reinsurance Recoverable**\$ 2,999**

Recoverable due from NFMRA for a 2020 paid loss which exceeded the Company's retention.

Losses Adjusted and Unpaid**\$ 21,676**

The Company is not reporting outstanding losses. It is recommended that the Company report reserves held at year end on Annual Statement page 5, line 25, "Amount of losses adjusted and unpaid".

Unpaid Losses Recoverable from Reinsurance**\$ 21,676**

The Company is not reporting outstanding losses recoverable. As the business is 100% reinsured, the Company should also report all outstanding losses as recoverable on reinsurance. It is recommended that the Company report reserves held at year end on Annual Statement page 5, line 25, "Amount of losses adjusted and unpaid" and as a recoverable on Annual Statement page 5, line 29, "Less reinsurance".

Quota Share Reinsurance Payable**\$ 28,644**

The Company reported a net amount payable to FMU related to the ceded reinsurance agreement. Amount due was settled in January 2022.

Payroll Taxes Payable **\$ 780**

The Company reported payroll taxes payable in its 2021 Annual Statement in the amount of \$780. Amount due was settled in January 2022.

Premium Taxes Payable **\$ 8,879**

The Company reported premium tax liability in its 2021 Annual Statement in the amount of \$8,879. Amount due was settled in March 2022.

Liability Premiums Payable **\$ 6,412**

The Company reported liability premiums payable to NFMRA in its 2021 Annual Statement in the amount of \$6,412. Amount due was settled in January 2022.

Surplus Note **\$ 440,000**

The Company reported the balance of its surplus note in its 2021 Annual Statement in the amount of \$440,000.

Policyholder Surplus **\$(188,943)**

Policyholder surplus, as determined by this examination, amounted to \$(188,943) at December 31, 2021.

Investment Policy

It was noted during the exam that the Company did not have a written investment policy which was approved by the Board of Directors. It is recommended the Company compose a written investment policy which is approved by the Board of Directors.

Custodial Agreement

The Company's bonds and common stocks were held at Morgan Stanley in Omaha, Nebraska, under an executed custodial agreement. It is recommended that the Company amend

its existing custodial agreement to address Nebraska Administrative Rules and Regulations Title Chapter 81.003.02, provisions (e) and (j) to ensure compliance.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Number of Directors– It is recommended the By-Laws be amended for the inconsistency between the number of Directors noted in the By-Laws and Articles of Incorporation.

Officer Elections– It is recommended that the Officers of the Company be elected by the Board of Director’s at its annual meeting.

Investment Approval– It is recommended that the Company comply with the Nebraska Insurers Investment Act and ensure that the Board of Directors, on no less than a quarterly basis, receive and review a summary report of the Company’s investment portfolio, activities, and practices, in order to verify the investment activity is consistent with its written investment plan.

Reinsurance Reporting Frequency – It is recommended that the reinsurance agreement with NFMRA be amended to include verbiage that requires quarterly reporting of losses, and as such, reimbursement for loss payments on at least a quarterly basis.

Reinsurance Commission – It is recommended that the Company amend the reinsurance agreement with Farmers Mutual United to include the necessary ceding commission changes.

Profit Sharing – It is recommended that the Company report profiting sharing income from the Factory Mutual Insurance Company equipment breakdown and service line reinsurance treaty as a write in on page 3, line 13.

Liability Premiums– It is recommended that the Company report premiums received on behalf of NFMRA, IMT, and MBre on page 3, Line 12, “Liability Premiums”. Further the Company should report the premiums paid to IMT, MBre, and NFMRA through NFA on page 4, line 23, “Liability Premiums”.

Adjusted and Unpaid Losses– It is recommended that the Company report reserves held at year end on Annual Statement page 5, line 25, “Amount of losses adjusted and unpaid” and as a recoverable on Annual Statement page 5, line 29, “Less reinsurance”.

Recovered from Reinsurance – It is recommended that all recovered losses under reinsurance agreements be reported on Annual Statement page 4, line 4, “Less recovered from reinsurance”.

Investment Policy– It is recommended the Company compose a written investment policy which is approved by the Board of Directors.

Custodial Agreement – It is recommended that the Company amend its existing custodial agreement to address Nebraska Administrative Rules and Regulations Title Chapter 81.003.02, provisions (e) and (j).

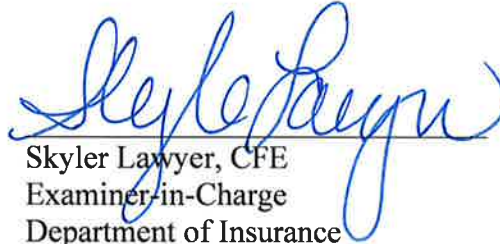
Unrealized Gain/Loss – It is recommended that the Company report the unrealized capital loss as a separate write-in on page 3, line 14.

ACKNOWLEDGMENT

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

In addition to the undersigned, Joe Jacobson, CFE with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Skyler Lawyer, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

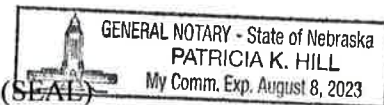
Skyler Lawyer, being duly sworn, states as follows:

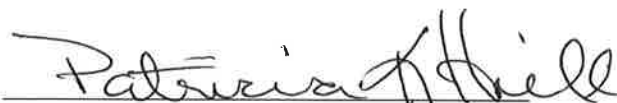
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Grange Mutual Insurance Company of Custer County.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Grange Mutual Insurance Company of Custer County was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Skyler Lawyer on this 27 day of January 2023.




Notary Public

My commission expires 8-8-23 [date].