

**DELAWARE GRANGE MUTUAL  
INSURANCE COMPANY**

**REPORT ON COMPILED  
STATUTORY FINANCIAL STATEMENTS**

**YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

**DELAWARE GRANGE MUTUAL INSURANCE COMPANY**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Accountant's Compilation Report .....</b>	<b>1</b>
<b>Financial Statements</b>	
Statutory Statements of Admitted Assets, Liabilities and Policyholders' Surplus .....	2
Statutory Statements of Operations .....	3
Statutory Statements of Changes in Policyholders' Surplus .....	4
Statutory Statements of Cash Flows .....	5

**ACCOUNTANT'S COMPILATION REPORT**

**To The Board of Directors**  
***Delaware Grange Mutual Insurance Company***  
**Dover, Delaware**

We have compiled the statutory statements of admitted assets, liabilities and policyholders' surplus of ***Delaware Grange Mutual Insurance Company*** as of December 31, 2012 and 2011, and the related statutory statements of operations, changes in policyholders' surplus and cash flows for the years then ended included in the accompanying prescribed form. We have not audited or reviewed the financial statements included in the accompanying prescribed form and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the form prescribed by the Insurance Department of the State of Delaware.

Management is responsible for the preparation and fair presentation of the financial statements included in the form prescribed by the Insurance Department of the State of Delaware and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of the Insurance Department of the State of Delaware, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of ***Delaware Grange Mutual Insurance Company*** and the Insurance Department of the State of Delaware, and is not intended to be and should not be used by anyone other than these specified parties.

*Buffamante Whipple Buttafaro, P.C.*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York**  
**February 25, 2013**

**DELAWARE GRANGE MUTUAL INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF ADMITTED ASSETS,**  
**LIABILITIES AND POLICYHOLDERS' SURPLUS**

Page 2

As of December 31,	2012	2011
<b>Admitted Assets</b>		
<b>Cash and Invested Assets</b>		
Bonds	\$ 344,808	\$ 334,930
Preferred stocks	229,340	248,811
Common stocks	521,838	342,205
Cash	223,128	302,943
	<hr/>	<hr/>
Total cash and invested assets	<b>1,319,114</b>	<b>1,228,889</b>
<b>Other Assets</b>		
Uncollected premium	11,871	8,706
Reinsurance recoverable	4,202	379
Current federal income tax recoverable	19,878	--
Deferred tax asset	--	9,440
Accrued investment income	3,460	2,591
Other assets	547	--
	<hr/>	<hr/>
Total other assets	<b>39,958</b>	<b>21,116</b>
	<hr/>	<hr/>
	<b>\$ 1,359,072</b>	<b>\$ 1,250,005</b>
<b>Liabilities and Policyholders' Surplus</b>		
<b>Liabilities</b>		
Unpaid losses	\$ 6,133	\$ 5,704
Unpaid loss adjustment expense	16,000	16,000
Commissions payable	9,795	10,461
Accrued expenses	7,970	9,018
Taxes, licenses and fees	--	800
Current federal income tax payable	--	30,128
Deferred tax liability	299	--
Unearned premium	168,029	165,278
Advance premiums	21,626	20,944
Ceded reinsurance premium recoverable	(48,779)	(106,700)
Amounts withheld by company for account of others	14,498	14,963
	<hr/>	<hr/>
Total liabilities	<b>195,571</b>	<b>166,596</b>
<b>Policyholders' Surplus</b>		
Surplus Note	50,000	50,000
Unassigned funds	1,163,501	1,033,409
	<hr/>	<hr/>
Total policyholders' surplus	<b>1,213,501</b>	<b>1,083,409</b>
	<hr/>	<hr/>
	<b>\$ 1,409,072</b>	<b>\$ 1,250,005</b>

See accountant's compilation report.

**DELAWARE GRANGE MUTUAL INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF OPERATIONS**

**Page 3**

<i>For the Years Ended December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Underwriting Income:</b>		
Premiums written	\$ 908,306	\$ 912,343
Reinsurance ceded	(671,313)	(675,882)
Change in unearned premiums	(2,754)	3,517
	<hr/>	<hr/>
Net premiums earned	<b>234,239</b>	<b>239,978</b>
	<hr/>	<hr/>
Losses incurred	71,421	17,740
Loss adjustment expenses	58,898	59,234
Other underwriting expenses	93,215	58,901
	<hr/>	<hr/>
Total underwriting deductions	<b>223,534</b>	<b>135,875</b>
	<hr/>	<hr/>
Net underwriting income	<b>10,705</b>	<b>104,103</b>
	<hr/>	<hr/>
<b>Investment Income:</b>		
Investment income	40,778	42,386
Realized capital gains, net of capital gains tax	14,055	18,334
Investment expenses	(6,507)	(6,466)
Interest expense	(4,242)	(6,083)
	<hr/>	<hr/>
Net investment income	<b>44,084</b>	<b>48,171</b>
	<hr/>	<hr/>
<b>Other Income</b>	<b>6,134</b>	<b>2,987</b>
	<hr/>	<hr/>
<b>Net Income Before Federal Income Taxes</b>	<b>60,923</b>	<b>155,261</b>
	<hr/>	<hr/>
<b>Federal Income Tax</b>	<b>2,173</b>	<b>30,128</b>
	<hr/>	<hr/>
<b>Net Income</b>	<b>\$ 58,750</b>	<b>\$ 125,133</b>
	<hr/>	<hr/>

**See accountant's compilation report.**

**DELAWARE GRANGE MUTUAL INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF CHANGES**  
**IN POLICYHOLDERS' SURPLUS**

**Page 4**

<i>For the Years Ended December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Policyholders' Surplus, Beginning</b>	<b>\$ 1,083,409</b>	<b>\$ 1,023,678</b>
<b>Changes in Policyholders' Surplus:</b>		
Net income	58,750	125,133
Change in unrealized gain (loss), net of capital gains tax	16,371	(10,976)
Change in net deferred income tax	(3,103)	(14,481)
Change in non-admitted assets	8,074	10,055
Change in surplus notes	- -	(50,000)
Change in policyholders' surplus	<b>80,092</b>	<b>59,731</b>
<b>Policyholders' Surplus, Ending</b>	<b>\$ 1,163,501</b>	<b>\$ 1,083,409</b>

**DELAWARE GRANGE MUTUAL INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF CASH FLOWS**

**Page 5**

<i>For the Years Ended December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Cash From Operations:</b>		
Premiums collected net of reinsurance	\$ 292,247	\$ 128,833
Loss and loss adjustment expenses paid	(74,815)	(5,592)
Underwriting expenses paid	(154,627)	(127,833)
	<hr/>	<hr/>
Net cash from (for) underwriting	62,805	(4,592)
Net investment income	29,317	32,384
Federal and foreign income taxes paid	(55,249)	
Other income	6,134	2,987
	<hr/>	<hr/>
Net cash from operations	<b>43,007</b>	<b>30,779</b>
<b>Cash From Investments:</b>		
Proceeds from investments sold, matured or repaid	211,620	217,111
Cost of investments acquired	(341,684)	(276,078)
	<hr/>	<hr/>
Net cash from investments	<b>(130,064)</b>	<b>(58,967)</b>
<b>Cash From Financing and Miscellaneous Sources:</b>		
Surplus notes	--	(50,000)
Other cash applied	7,242	11,637
	<hr/>	<hr/>
Net cash from financing and miscellaneous sources	<b>7,242</b>	<b>(38,363)</b>
<b>Change in Cash and Short-Term Investments:</b>	<b>(79,815)</b>	<b>(66,551)</b>
<b>Cash and Short-Term Investments:</b>		
Beginning of Year	<b>302,943</b>	<b>369,494</b>
	<hr/>	<hr/>
End of Year	<b>\$ 223,128</b>	<b>\$ 302,943</b>
	<hr/>	<hr/>

**See accountant's compilation report.**