



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	No. 12-301
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>GRANGE INSURANCE ASSOCIATION</b>	)	AND ORDER ADOPTING REPORT
	)	OF FINANCIAL EXAMINATION

A Domestic Insurer.

**BACKGROUND**

An examination of the financial condition of **GRANGE INSURANCE ASSOCIATION** (the Company) as of December 31, 2011, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a fraternal benefit society. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on October 16, 2012. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

**FINDINGS**

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 11 of the report.

## CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **GRANGE INSURANCE ASSOCIATION** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

## ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-2.

1. The Company is ordered to execute a revised or amended custodial agreement that complies with the FCEH and RCW 48.13.480. The Company is also ordered to comply with RCW 48.05.250 by following the NAIC Annual Statement Instructions and the AP&P as required by WAC 284-07-050(2). Instruction 1, Examination Report, page 1.
2. The Company is ordered to comply with WAC 284-07-050(2) which requires adherence to the AP&P, specifically SSAP No. 62R(8), by including all required terms in its reinsurance agreements. Instruction 2, Examination Report, page 2.
3. The Company is ordered to comply with RCW 48.05.250 by filing financial statements in the general form and context approved by the NAIC, and WAC 284-07-050(2), which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Instruction 3, Examination Report, page 2.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 14th day of November, 2012.

A handwritten signature in black ink, appearing to read "Mike Kreidler", written over a horizontal line.

MIKE KREIDLER  
Insurance Commissioner



**RECEIVED**

October 25, 2012

OCT 25 2012

Mr. James T. Odiorne, CPA, JD  
Deputy Insurance Commissioner  
Company Supervision Division  
P.O. Box 40255  
Olympia, WA 98504-0255

**INSURANCE COMMISSIONER  
COMPANY SUPERVISION**

Dear Mr. Odiorne,

We are in receipt of the draft Financial Examination Report of Grange Insurance Association and Rocky Mountain Fire and Casualty Company as of December 31, 2011.

After review of the documents, we find we are in agreement with the report. Our response follows:

**Grange Insurance Association**

**Scope of the Examination**

The financial data represented in the draft is accurate as of December 31, 2011. Additionally, the historical narrative, company history and director and officer listings are also accurate as of December 31, 2011.

**Instructions**

- 1.) Custodial Agreement - The Custodial Agreement with Wells Fargo Bank, NA has been revised and is now in compliance with the FCEH and RCW 48.05.250, and a copy has been sent to Washington OIC for their reference.
- 2.) Missing Required Reinsurance Terms - The Companies have executed an amendment to the existing intercompany reinsurance agreement between Grange Insurance Association and Rocky Mountain Fire & Casualty Co. that stipulates the existing agreement is the entire agreement between the two parties, in accordance with SSAP 62R.
- 3.) The Company will accurately complete footnote No. 30 in compliance with RCW 48.05.250 and WAC 284-07-050 in future statutory financial statement filings.

## Rocky Mountain Fire and Casualty Company

### Scope of the Examination

The financial data represented in the draft is accurate as of December 31, 2011. Additionally, the historical narrative, company history and director and officer listings are also accurate as of December 31, 2011.

### Instructions

- 1.) Custodial Agreement - The Custodial Agreement with Wells Fargo Bank, NA has been revised and is now in compliance with the FCEH and RCW 48.05.250, and a copy has been sent to Washington OIC for their reference.
- 2.) Missing Required Reinsurance Terms - The companies have executed an amendment to the existing intercompany reinsurance agreement between Grange Insurance Association and Rocky Mountain Fire & Casualty Co. that stipulates the existing agreement is the entire agreement between the two parties, in accordance with SSAP 62R.
- 3.) The Company will accurately complete footnote No. 30 in compliance RCW 48.05.250 and WAC 284-07-050 in future statutory financial statement filings.

Sincerely,

  
Rodney A. King  
CRO and Corporate Secretary

cc: Ryan M. Dudley, President and Chief Executive Officer  
Sean I. McGourty, VP and CFO