Pekin Select Insurance Company

Report on Audits of Financial Statements - Statutory Basis

For the Years Ended December 31, 2022 and 2021

Pekin Select Insurance Company

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STROHM BALLWEG

INDEPENDENT AUDITOR'S REPORT
ON THE STATUTORY FINANCIAL STATEMENTS

To the Board of Directors
Pekin Select Insurance Company
Pekin, Illinois

Report on the Audit of the Statutory Financial Statements

Opinions

We have audited the statutory financial statements of Pekin Select Insurance Company (the Company), which are comprised of the statutory balance sheets as of December 31, 2022 and 2021, and the related statutory statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Illinois Department of Insurance described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2022 and 2021, or the results of its operations or its cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the statutory financial statements, the Company prepared these statutory financial statements using accounting practices prescribed or permitted by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between these statutory accounting practices described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material and pervasive.

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with the accounting practices prescribed or permitted by the Illinois Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the statutory financial statements are issued.

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Strohm Ballweg, LLP

Madison, Wisconsin
May 3, 2023

Pekin Select Insurance Company

Statutory Balance Sheets
December 31, 2022 and 2021

	2022	2021
Admitted Assets:		
Bonds	$ 5,340,309	$ 4,317,613
Cash and Cash Equivalents	576,395	1,519,762
Total Cash and Invested Assets	5,916,704	5,837,375
Net Deferred Tax Asset	5,424	10,587
Receivable from Parent and Affiliates	10,539	950
Investment Income Accrued	(1,471)	17,434
Total Admitted Assets	$ 5,931,196	$ 5,866,346
Liabilities:		
None	$ -	$ -
Total Liabilities	-	-
Stockholder's Equity:		
Common Capital Stock, $20.00 Par Value, 100,000 Shares Authorized, Issued, and Outstanding	2,000,000	2,000,000
Paid-In Surplus	4,000,000	4,000,000
Unassigned Surplus (Deficit)	(68,804)	(133,654)
Total Stockholder's Equity	5,931,196	5,866,346
Total Liabilities and Stockholder's Equity	$ 5,931,196	$ 5,866,346

The accompanying notes are an integral part of the statutory financial statements.

Pekin Select Insurance Company

Statutory Statements of Income and Changes in Stockholder’s Equity
Years Ended December 31, 2022 and 2021

	2022	2021
Underwriting Operations:		
Net Premiums Earned:		
Direct Premiums Written	$ 6,984,000	$ 3,186,796
Reinsurance Ceded	(6,984,000)	(3,186,796)
Net Premiums Written and Earned	-	-
Expenses Incurred:		
Net Underwriting Expenses	-	-
Net Expenses Incurred	-	-
Underwriting Gain	-	-
Net Investment Income	72,549	24,924
Net Realized Capital Losses	(2,535)	-
Net Income Before Federal Income Tax	70,014	24,924
Federal Income Tax Expense	-	-
Net Income	$ 70,014	$ 24,924
Statement of Changes in Stockholder's Equity:		
Stockholder's Equity - Beginning of Year	$ 5,866,346	$ 5,852,150
Changes in Stockholder's Equity:		
Net Income	70,014	24,924
Net Deferred Income Tax	(14,986)	(5,234)
Non-Admitted Assets	9,822	(5,494)
Net Increase	64,850	14,196
Stockholder's Equity - End of Year	$ 5,931,196	$ 5,866,346

The accompanying notes are an integral part of the statutory financial statements.

Pekin Select Insurance Company

Statutory Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash from Operations:		
Net Investment Income	$ 122,814	$ 28,954
Total Cash Received	122,814	28,954
Commissions, Expenses Paid, and Other Deductions	-	-
Total Cash Disbursed	-	-
Net Cash from Operations	122,814	28,954
Cash from Investments:		
Proceeds from Investments Sold, Matured, or Repaid		
Bonds	97,338	-
Total Investment Proceeds	97,338	-
Cost of Investments Acquired:		
Bonds	1,153,924	2,758,230
Total Investments Acquired	1,153,924	2,758,230
Net Cash from Investments	(1,056,586)	(2,758,230)
Cash from Financing and Miscellaneous Sources:		
Other Cash Applied	(9,595)	(921,033)
Net Cash from Financing and Miscellaneous Sources	(9,595)	(921,033)
Net Change in Cash and Cash Equivalents	(943,367)	(3,650,309)
Cash and Cash Equivalents at Beginning of Year	1,519,762	5,170,071
Cash and Cash Equivalents at End of Year	$ 576,395	$ 1,519,762

The accompanying notes are an integral part of the statutory financial statements.

Notes to Financial Statements – Statutory Basis

1. Nature of Operations and Summary of Significant Accounting Practices

Pekin Select Insurance Company (Company) is a regional Midwest property and casualty insurance company domiciled in the state of Illinois. The Company sells worker compensation insurance through independent agents. Direct premiums written in 2022 and 2021 were 100 percent ceded to affiliates.

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Illinois Department of Insurance (statutory accounting practices).

Prescribed statutory accounting practices include those practices denoted in the National Association of Insurance Commissioners' (NAIC) *"Accounting Practices and Procedures Manual,"* as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed when such practices are approved by the insurance department of the insurer's state of domicile. The Company does not use any permitted practices.

Accounting Estimates

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term relate to the amount of deferred tax assets expected to be realized in future years.

Subsequent Events

Subsequent events were evaluated through May 3, 2023, which is the date the financial statements were available to be issued.

Summary of Significant Accounting Practices and Differences Between Statutory Accounting and GAAP

A description of the significant accounting practices used by the Company and significant variances from accounting principles generally accepted in the United States of America (GAAP) are as follows:

A. Investments

Bonds are valued in accordance with rules prescribed by the NAIC. Investment grade bonds (i.e., NAIC designation 1 or 2) not backed by other loans are stated at amortized cost using a scientific method. Below investment grade bonds (i.e., NAIC designation 3 or higher) not backed by other loans are stated at the lesser of fair value or amortized cost with any change in the carrying value of the bond being treated as an unrealized gain/loss and credited/charged directly to surplus.

Under GAAP, the Company's bonds would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, bonds classified as held-to-maturity would be carried at cost or amortized cost, and bonds classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as a separate component of surplus for those securities classified as available-for-sale.

Loan-backed securities (mortgage-backed and asset-backed securities) are stated at amortized cost using a prospective basis. The prospective approach recognizes, through the recalculation of the effective yield to be applied to future periods, the effects of all cash flows whose amounts differ from those estimated earlier. Changes in amortization and amortized cost will occur in future periods. Assumptions for loan-backed securities are updated on a quarterly basis. Loan-backed securities with an initial NAIC designation of three or higher are carried at the lower of amortized cost or fair value. Agency pass-through and collateralized mortgage obligations use the three-month generic prepayment speed assumption. Non-agency collateralized mortgage obligations and asset-backed securities are updated using projected principal payment windows.

Investment income is recorded when earned. Realized gains and losses on sale or maturity of investments are determined on the basis of specific identification. Aggregate unrealized capital gains and losses are credited or charged directly to unassigned surplus. Unrealized capital losses on investments that are determined to be other than temporary declines in value must be recognized as realized capital losses. The Company reviews its investment portfolio on a periodic basis to determine other than temporary declines in value. In evaluating whether a decline in value is other than temporary, management considers several factors including, but not limited to: 1) the Company's ability and intent to retain the security for a sufficient amount of time for it to recover, 2) the extent and duration of the decline in value, 3) the probability of collecting all cash flows according to contractual terms in effect at acquisition or restructuring, 4) relevant industry conditions and trends, and 5) the financial condition and current and future business prospects of the issuer.

B. Deferred Tax Assets

Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities and are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Additionally, under statutory accounting practices, limitations are placed on the admissibility of deferred tax assets. All changes in ordinary deferred tax assets and liabilities are reported as changes in surplus, and state income taxes are not included in deferred tax calculations; under GAAP, there is no admissibility concept, changes in deferred tax assets and liabilities would be reported through operations and/or surplus depending on their characteristics, and state income taxes would be included in the deferred tax calculation.

C. Cash and Cash Equivalents

For purposes of reporting cash flows, the Company follows statutory accounting practices and considers cash in checking accounts, certain money market funds, and highly liquid debt instruments purchased with an original maturity of one year or less to be cash and cash equivalents.

On December 31, 2022 and 2021, the Company had no amounts on deposit in a financial institution in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) limit.

D. Other

Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement filed with the NAIC and state regulatory authorities, which differ from the presentation and disclosure of financial statements that would be presented under GAAP.

2. Affiliated Entity Transactions

The Company is a wholly owned subsidiary of its parent, Pekin Insurance Company (PIC), and is managed by Farmers Automobile Management Corporation (FAMC). The other affiliate, which is controlled by the Farmers Automobile Insurance Association (Association), and managed by FAMC, is Pekin Life Insurance Company (PLIC). All of the above affiliates utilize many common facilities, management, administrative and office personnel, and services. The Company, Pekin Insurance Company, and the Association are parties to a reinsurance pooling agreement under which underwriting income and expense and other administrative expenses are prorated. In 2020, the reinsurance pooling agreement was amended to prorate underwriting income and expense and other administrative expenses to the Association (80 percent), PIC (20 percent), and the Company

(0 percent). Intercompany balances are paid periodically throughout the year based on estimates and settled within 45 days after year-end based on actual allocated expenses. The proration does not include provisions for federal income taxes or results of investment transactions.

Additionally, the Company, the Association, and PIC allocate related expenses to one another. Intercompany balances are paid periodically throughout the year based on estimates and settled within 45 days after year-end based on actual allocated expenses.

3. Investments

The admitted value, unrealized gain and loss, and market value of investments in bonds as of December 31, 2022, are as follows:

	2022			
Obligation	Admitted Value	Unrealized Gain	Unrealized Loss	Market Value
U.S. Government	$1,711,439	$ -	$ 92,877	$1,618,562
Industrial and Miscellaneous	2,604,315	-	334,843	$2,269,472
Loan-Backed Securities	1,024,555	-	98,532	$ 926,023
Total	$ 5,340,309	$ -	$ 526,252	$ 4,814,057

The admitted value, unrealized gain and loss, and market value of investments in bonds as of December 31, 2021, are as follows:

	2021			
Obligation	Admitted Value	Unrealized Gain	Unrealized Loss	Market Value
U.S. Government	$1,560,079	$ 30,859	$ -	$1,590,938
Industrial and Miscellaneous	2,351,428	4,083	2,967	2,352,544
Loan-Backed Securities	406,106	-	1,190	404,916
Total	$ 4,317,613	$ 34,942	$ 4,157	$ 4,348,398

The admitted value and market value of bonds at December 31, 2022, by contractual maturity, are shown below:

	Admitted Value	Market Value
Due in One Year or Less	$ -	$ -
Due After One Year Through Five Years	2,919,676	2,689,728
Due After Five Years Through Ten Years	1,396,077	1,198,304
Due After Ten Years	1,024,556	926,025
Total	$ 5,340,309	$ 4,814,057

Bonds with unrealized losses based on estimated market values as of December 31, 2022, are shown below:

	Less Than 12 Months		12 Months or More		Total	
Obligation	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
U.S. Government	$ 1,618,562	$ 92,877	$ -	$ -	$ 1,618,562	$ 92,877
Industrial and Miscellaneous	1,285,271	182,295	984,201	152,548	2,269,472	334,843
Loan-Backed Securities	627,097	41,003	298,926	57,529	926,023	98,532
Unrealized Losses	$ 3,530,930	$ 316,175	$ 1,283,127	$ 210,077	$ 4,814,057	$ 526,252

Bonds with unrealized losses based on estimated market values as of December 31, 2021, are shown below:

	Less Than 12 Months		12 Months or More		Total	
Obligation	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Industrial and Miscellaneous	$ 1,172,492	$ 2,967	$ -	$ -	$ 1,172,492	$ 2,967
Loan-Backed Securities	404,916	1,190			404,916	1,190
Unrealized Losses	$ 1,577,408	$ 4,157	$ -	$ -	$ 1,577,408	$ 4,157

The components of net realized capital losses as of December 31, are as follows:

	2022	2021
Gains on disposals	$ -	$ -
Losses on disposals	(2,535)	-
Total	$ (2,535)	$ -
Tax Expense	-	-
Net realized capital losses	$ (2,535)	$ -

Bonds carried at $1,711,439 and $1,560,079 at December 31, 2022 and 2021, respectively, were on deposit with the Illinois Department of Insurance as required by law.

4. Fair Value Measurement

Statutory Accounting Practices establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level one measurements) and the lowest priority to unobservable inputs (level three measurements). The three levels of the fair value hierarchy under statutory accounting are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Company has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The fair values of the Level 2 securities are obtained from independent pricing services or from the Company's investment manager and are determined using quoted market prices from an orderly market at the reporting date for those or similar investments.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Association's financial instruments that are reported at fair value within the statutory balance sheet as of December 31, 2022 and 2021:

	2022			
Description	Level 1	Level 2	Level 3	Total
Cash Equivalents	$ 441,997	$ -	$ -	$ 441,997

	2021			
Description	Level 1	Level 2	Level 3	Total
Cash Equivalents	$ 1,369,084	$ -	$ -	$ 1,369,084

There were no Level 3 assets at December 31, 2022 or 2021. The Company did not have any liabilities measured at fair value at December 31, 2022 or 2021.

The aggregate fair value of all financial instruments as of December 31, 2022, is shown below.

	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	$ 4,814,057	$ 5,340,309	$1,618,562	$ 3,195,495	$ -
Cash Equivalents	441,997	441,997	441,997	-	-

The aggregate fair value of all financial instruments as of December 31, 2021, is shown below.

	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	$ 4,348,398	$ 4,317,613	$1,590,938	$ 2,757,460	$ -
Cash Equivalents	1,369,084	1,369,084	1,369,084	-	-

The type of security included within each hierarchy in the above table is as follows:

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes.
Cash Equivalents: Comprised of money market securities.

Level 2 Measurements

Bonds: Comprised of Industrial and Miscellaneous and Loan-Backed securities.

5. Liability for Unpaid Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses, including reinsurance recoverables of $4,479,225 and $2,195,301 in 2022 and 2021, respectively, are ceded to the Association (80 percent) and to Pekin Insurance Company (20 percent) per the intercompany pooling agreement.

6. Reinsurance

The Company has reinsurance treaties in place for its property and casualty insurance business to reduce exposure to large losses. Although reinsurance does not relieve the Company of its legal liability to its policyholders, it provides a measure of protection against catastrophic losses and provides a means of risk reduction on individual losses.

The Company is party to an intercompany pooling agreement with the Association and Pekin Insurance Company. All direct business written by the Company is ceded 100 percent to the intercompany pool. No direct business is ceded to third parties by the Company. Under this agreement, amended in 2020 to include the Company, underwriting income and expenses and other administrative expenses are prorated to the Association (80 percent), the Company (20 percent), and to the Company's subsidiary (0 percent).

7. Federal Income Taxes

The Company is taxed as an insurance company under Section 831 of the Internal Revenue Code. Federal income tax expense differs from the amount obtained by applying the federal income tax rate of 21 percent to pretax income for the years ended December 31, 2022 and 2021, respectively, due to the following:

	2022	2021
Computed Expected Federal Income Expense	$ 14,703	$ 5,234
Decrease in Taxes Resulting from:		
Discount on Bonds	(718)	(22)
Net Operating Loss Carryforward	(13,985)	(5,212)
Taxes Incurred	$ -	$ -

The components of the net deferred tax asset as of December 31, 2022 and 2021, are as follows:

	2022		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 15,797	$ 246	$ 16,043
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	15,797	246	16,043
Deferred Tax Assets Non-Admitted	9,882	-	9,882
Subtotal Net Admitted Deferred Tax Asset	5,915	246	6,161
Deferred Tax Liabilities	737	-	737
Net Admitted Deferred Tax Assets	$ 5,178	$ 246	$ 5,424

	2021		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 30,313	$ -	$ 30,313
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	30,313	-	30,313
Deferred Tax Assets Non-Admitted	19,704	-	19,704
Subtotal Net Admitted Deferred Tax Asset	10,609	-	10,609
Deferred Tax Liabilities	22	-	22
Net Admitted Deferred Tax Assets	$ 10,587	$ -	$ 10,587

	Change		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ (14,516)	$ 246	$ (14,270)
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	(14,516)	246	(14,270)
Deferred Tax Assets Non-Admitted	(9,822)	-	(9,822)
Subtotal Net Admitted Deferred Tax Asset	(4,694)	246	(4,448)
Deferred Tax Liabilities	715	-	715
Net Admitted Deferred Tax Assets	$ (5,409)	$ 246	$ (5,163)

The net admitted deferred tax asset was determined using the guidance related to admissibility provided in the following paragraphs of NAIC Statement of Statutory Accounting Principles No. 101 (SSAP 101).

	2022		
	Ordinary	Capital	Total
Admissible Under Paragraph:			
11a. Ability to Recover Taxes Paid in Prior Years	$ -	$ -	$ -
11b. Expected to be Realized, After Application of Threshold Limitations	6,161	-	6,161
11c. Offset of Deferred Tax Liabilities	-	-	-
Total Admitted Deferred Tax Assets	$ 6,161	$ -	$ 6,161

	2021		
	Ordinary	Capital	Total
Admissible Under Paragraph:			
11a. Ability to Recover Taxes Paid in Prior Years	$ -	$ -	$ -
11b. Expected to be Realized, After Application of Threshold Limitations	10,609	-	10,609
11c. Offset of Deferred Tax Liabilities	-	-	-
Total Admitted Deferred Tax Assets	$ 10,609	$ -	$ 10,609

	Change		
	Ordinary	Capital	Total
Admissible Under Paragraph:			
11a. Ability to Recover Taxes Paid in Prior Years	$ -	$ -	$ -
11b. Expected to be Realized, After Application of Threshold Limitations	(4,448)	-	(4,448)
11c. Offset of Deferred Tax Liabilities	-	-	-
Total Admitted Deferred Tax Assets	$ (4,448)	$ -	$ (4,448)

	2022	2021
Ratio Used to Determine Recovery Period and Threshold Limitation Amount Under Paragraph 11b	5,307%	8,104%
Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation Under Paragraph 11b	$ 5,925,772	$ 5,855,759

The major components of net deferred tax assets as of December 31, 2022 and 2021, are as follows:

	2022	2021	Change
Deferred Tax Assets:			
Ordinary:			
Net Operating Loss Carryforward	$ 15,796	$ 30,313	$ (14,517)
Total Ordinary Deferred Tax Assets	15,796	30,313	(14,517)
Non-Admitted	9,881	19,704	(9,823)
Admitted Ordinary Deferred Tax Assets	5,915	10,609	(4,694)
Admitted Capital Deferred Tax Assets	246	-	246
Admitted Deferred Tax Assets	6,161	10,609	(4,448)
Deferred Tax Liabilities:			
Ordinary:			
Ordinary Deferred Tax Liabilities	737	22	715
Capital Deferred Tax Liabilities	-	-	-
Total Deferred Tax Liabilities	737	22	715
Net Deferred Tax Assets	$ 5,424	$ 10,587	$ (5,163)

The Company has no tax-planning strategies that had a material impact on adjusted gross and net admitted deferred tax assets.

As of December 31, 2022 and 2021, the Company had a net operating loss carryforward of $75,216 and $144,347, respectively. There are no capital loss carryforwards on December 31, 2022 or 2021.

In the opinion of management, the liability for federal income taxes is sufficient to cover computed taxes for the current and prior years that are currently payable. The Company and its affiliates file a unitary tax return with the state of Illinois. The Company did not have a state income tax benefit or expense included in underwriting expenses in 2022 or 2021.

As of December 31, 2022 and 2021, the Company has not identified any material loss contingencies arising from uncertain tax positions.

8. Capital and Surplus

The Company is required to maintain minimum capital and surplus established by the Illinois Department of Insurance (the Department). The Company is also subject to Risk-Based Capital (RBC) requirements promulgated by the NAIC and adopted by the Department. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2022, the Company's surplus exceeded the minimum levels required by the Department and RBC standards.

The Company's unassigned surplus was reduced by the following cumulative amounts at December 31, 2022 and 2021, respectively:

	2022	2021
Non-Admitted Assets	$ (9,881)	$ (19,704)

SUPPLEMENTARY FINANCIAL INFORMATION

STROHM BALLWEG

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Pekin Select Insurance Company
Pekin, Illinois

Our audit was conducted for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Company with the regulatory authorities. Such information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
May 3, 2023

Pekin Select Insurance Company

Summary Investment Schedule
December 31, 2022

	Gross Investment Holdings Amount	%	Admitted Assets as Reported in the Annual Statement Amount	%
1. Long-Term Bonds:				
01.01 U.S. governments	$ 1,711,439	28.9	$ 1,711,439	28.9
01.02 All other governments	-	-	-	-
01.03 U.S. states, territories and possessions, etc. guaranteed	-	-	-	-
01.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	-	-	-	-
01.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	1,024,555	17.3	1,024,555	17.3
01.06 Industrial and miscellaneous	2,604,315	44.0	2,604,315	44.0
01.07 Hybrid securities	-	-	-	-
01.08 Parent, subsidiaries and affiliates	-	-	-	-
01.09 SVO identified funds	-	-	-	-
01.10 Unaffiliated Bank loans	-	-	-	-
01.11 Total long-term bonds	5,340,309	90.2	5,340,309	90.2
2. Preferred stocks:				
02.01 Industrial and miscellaneous (Unaffiliated)	-	-	-	-
02.02 Parent, subsidiaries and affiliates	-	-	-	-
02.03 Total preferred stocks	-	-	-	-
3. Common stocks:				
03.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	-	-	-	-
03.02 Industrial and miscellaneous Other (Unaffiliated)	-	-	-	-
03.03 Parent, subsidiaries and affiliates Publicly traded	-	-	-	-
03.04 Parent, subsidiaries and affiliates Other	-	-	-	-
03.05 Mutual funds	-	-	-	-
03.06 Unit investment trusts	-	-	-	-
03.07 Closed-end funds	-	-	-	-
03.08 Total common stocks	-	-	-	-
4. Mortgage loans:				
04.01 Farm mortgages	-	-	-	-
04.02 Residential mortgages	-	-	-	-
04.03 Commercial mortgages	-	-	-	-
04.04 Mezzanine real estate loans	-	-	-	-
04.05 Total valuation allowance	-	-	-	-
04.06 Total mortgage loans	-	-	-	-
5. Real estate:				
05.01 Properties occupied by company	-	-	-	-
05.02 Properties held for production of income	-	-	-	-
05.03 Properties held for sale	-	-	-	-
05.04 Total real estate	-	-	-	-
6. Cash, cash equivalents and short-term investments:				
06.01 Cash	134,398	2.3	134,398	2.3
06.02 Cash equivalents	441,997	7.5	441,997	7.5
06.03 Short-term investments	-	-	-	-
06.04 Total cash, cash equivalents and short-term investments	576,395	9.8	576,395	9.8
7. Contract loans	-	-	-	-
8. Derivatives	-	-	-	-
9. Other invested assets	-	-	-	-
10. Receivable for securities	-	-	-	-
11. Securities lending	-	-	-	-
12. Other invested assets	-	-	-	-
13. Total invested assets	$ 5,916,704	100.0	$ 5,916,704	100.0

See Independent Auditor’s Report on the Supplementary Information

Pekin Select Insurance Company

Investment Risks Interrogatories
December 31, 2022

1. State the reporting entity's total admitted assets as reported on Page 2 of the annual statement. $ 5,931,196

2. State the 10 largest exposures to a single issuer/borrower/investment, excluding U.S. government, U.S. government agency securities, and those U.S. Government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, property occupied by the company and policy loans:

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	FANNIE MAE	Bonds	$ 838,954	14.1%
2.02	FREDDIE MAC	Bonds	185,601	3.1%
2.03	BLACKROCK INC	Bonds	99,193	1.7%
2.04	MASTERCARD INCORPORATED	Bonds	81,717	1.4%
2.05	BANK OF NY MELLON CORP	Bonds	80,113	1.4%
2.06	ANALOGDEVICES INC	Bonds	78,229	1.3%
2.07	RENAISSANCERE FINANCE INC	Bonds	78,192	1.3%
2.08	PEPSICO INC	Bonds	77,834	1.3%
2.09	THE PNC FINANCIAL SERVICES GROUP INC	Bonds	77,647	1.3%
2.10	JPMORGAN CHASE & CO	Bonds	75,238	1.3%

3. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation:

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 4,406,741	74.3%	3.07	P/RP-1	$ -	0.0%
3.02	NAIC-2	933,568	15.7%	3.08	P/RP-2	-	0.0%
3.03	NAIC-3	-	0.0%	3.09	P/RP-3	-	0.0%
3.04	NAIC-4	-	0.0%	3.10	P/RP-4	-	0.0%
3.05	NAIC-5	-	0.0%	3.11	P/RP-5	-	0.0%
3.06	NAIC-6	-	0.0%	3.12	P/RP-6	-	0.0%

4. Assets held in foreign investments:

		1		2
4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?		Yes [ ]	No [X]
4.02	Total admitted assets held in foreign investments	$ 230,931		3.9%

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC-1	$ 230,931	3.9%
5.02	Countries designated NAIC-2	-	0.0%
5.03	Countries designated NAIC-3 or below	-	0.0%

Pekin Select Insurance Company

Investment Risks Interrogatories
December 31, 2022

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
Countries designated NAIC-1:			
6.01	Country: United Kingdom	$ 104,139	1.8%
6.02	Country: Australia	74,606	1.3%
Countries designated NAIC-2:			
6.03	Country:		0.0%
6.04	Country:	-	0.0%
Countries designated NAIC-3 or below:			
6.05	Country:	-	0.0%
6.06	Country:	-	0.0%

7. Aggregate unhedged foreign currency exposure: None

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation: None

9. Largest unhedged foreign currency exposure by country, categorized by the country's NAIC sovereign designation:

   Countries designated NAIC-1: None

   Countries designated NAIC-2: None

   Countries designated NAIC-3 or below: None

10. List the 10 largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Rating	3	4
10.01	WESTPAC BANKING CORP	1.A	$ 74,606	1.3%
10.02	VODAFONE GROUP PLC	1.D	52,994	0.9%
10.03	CREDIT SUISSE GROUP AG	1.D	52,186	0.9%
10.04	BARCLAYS PLC	1.D	51,145	0.9%
10.05			-	0.0%
10.06			-	0.0%
10.07			-	0.0%
10.08			-	0.0%
10.09			-	0.0%
10.10			-	0.0%

11. State the amount and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

   11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

		1	2
11.02	Total admitted assets held in Canadian investments	$ 200,483	3.4%

12. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days):

   Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets; therefore, detail not required for Interrogatory 12. Yes [X] No [ ]

Pekin Select Insurance Company

Investment Risks Interrogatories
December 31, 2022

13. Amount and percentages of admitted assets held in the ten largest equity interests:

13.01 Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 13: Yes [X] No [ ]

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities:	$ -	0.0%
	Largest three investments held in nonafiliated, privately placedequities:		
14.03			0.0%
14.04		-	0.0%
14.05		-	0.0%

Ten largest fund managers:

	Fund Manager	Total Invested 1	Diversified 2	Nondiversified 3
14.06	NORTHERN INST GOVT-SHR	$ 441,997	$ 441,997	$ -
14.07		-	-	-
14.08		-	-	-
14.09		-	-	-
14.10		-	-	-
14.11		-	-	-
14.12		-	-	-
14.13		-	-	-
14.14		-	-	-
14.15		-	-	-

15. State the aggregate amounts and percentages of the entity's total admitted assets held in general partnership interests (included in other equity securities):

Assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 15. Yes [X] No [ ]

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatories 16 and 17. Yes [X] No [ ]

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date: None

18. Are assets held in investments held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

19. Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

Pekin Select Insurance Company

Investment Risks Interrogatories
December 31, 2022

20. State the amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

					At End of Each Quarter	
		At Year-End		(Unaudited) 1st Qtr	(Unaudited) 2nd Qtr	(Unaudited) 3rd Qtr
		1	2	3	4	5
20.01	Securities lending (do not include assets held as collateral for such transactions)	$ -	0.0%	$ -	$ -	$ -

21. State the amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors: None

22. State the amounts and percentages of the reporting entity's total admitted assets of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for collars, swaps, and forwards: None

23. State the amounts and percentages of the reporting entity's total admitted assets of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for futures contracts: None

Pekin Select Insurance Company

Reinsurance Interrogatories
December 31, 2022

7.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)?

Yes [ ] No [X]

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

a. A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

c. Aggregate stop loss reinsurance coverage;

d. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

e. A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

f. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:

a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

b. Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes [ ] No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

a. The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;

b. A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and

c. A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

a. Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes [ ] No [X]