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PEKIN
INSURANCE

TO OUR SHAREHOLDERS

The operating results for 2022 and the financial statements for the year are included in this Annual Shareholder Report.

Net loss for the year 2022 was $4.7 million, or $0.28 per share compared to a net loss of $3.8 million, or $0.22 per share, last year. The net loss for 2022 is primarily due to increased benefits to policyholders. Realized capital gains were $0.9 million, or $0.05 per share, compared to realized capital gains of $1.5 million, or $0.09 per share, last year.

Our strategic effort to grow premium was achieved in several product lines this year. Ordinary life increased to $57.8 million. Preneed life increased to $45.8 million. Universal life increased to $26.7 million. In addition to increases in our life lines, our Medicare supplement premium increased to $38.9 million.

Our investment income excluding capital gains increased to $64.4 million in 2022, or 4.4 percent from last year. Premium dollars continue to be invested in the growing bond portfolio at rates that are up from previous years. Additionally, our bond portfolio is comprised of high quality holdings, of which 95.3% are investment grade.

As of December 31, 2022, assets were $1.7 billion. Book value decreased during the year by $6.8 million, or 5.6 percent from year end 2021 and stands at $115.2 million at December 31, 2022, reflecting our strong financial position. This decrease was primarily attributable to unrealized capital losses on our investment portfolio of $9.7 million. Book value per share was $6.75 at December 31, 2022, compared to $7.15 at December 31, 2021.

Our commitment to investing in our people and advancing technology will enable us to serve our agents and policyholders for many years to come as their life insurance company of choice.

We are sincerely thankful for the continued support of our shareholders, agents, and employees.

Daniel V. Connell

Daniel V. Connell, CPA
Chairman of the Board, President & Chief Executive Officer

SIGNIFICANT FIGURES

Pekin Life Insurance Company

	2022	2021	CHANGE
Life Insurance in Force			
Ordinary	$19,588,723,000	$18,856,307,000	3.88%
Credit	739,681,000	755,429,000	(2.09)%
Group	797,479,000	761,490,000	4.73%
Total Life Insurance in Force	21,125,883,000	20,373,226,000	3.69%
Assets	1,652,961,642	1,626,328,121	1.64%
Policy Reserves	1,385,861,006	1,343,577,300	3.15%
Premium Income	198,753,994	197,326,309	0.72%
Payments to Policyholders			
and Beneficiaries	166,010,990	156,991,016	5.75%
Investment Income	64,427,089	61,727,855	4.37%
Net Rate of Return on Investments	4.10%	4.02%	1.92%
Net Loss Before Realized			
Capital Gains	(5,615,880)	(5,299,360)	(5.97)%
Net Loss	(4,742,680)	(3,770,050)	(25.80)%
Net Loss Before Realized			
Capital Gains Per Share	(0.33)	(0.31)	(6.45)%
Realized Capital Gains Per Share	0.05	0.09	(44.44)%
Net Loss Per Share	(0.28)	(0.22)	(27.27)%
Book Value Per Share	6.75	7.15	(5.59)%

Pekin Life Insurance Company

Premium Income By Product Line	2022		2021	
	Amount	% of Total	Amount	% of Total
Ordinary Life	$ 84,505,826	43%	$ 83,934,968	43%
Annuity	8,911,307	4%	7,877,689	4%
Pre-Need Life and Annuity	49,041,481	25%	49,140,737	25%
Group Life and Health	2,551,687	1%	2,477,630	1%
Group Annuity	1,611,981	1%	1,674,022	1%
Individual Health	38,928,356	19%	38,400,586	19%
Credit Life and Health	13,203,356	7%	13,820,677	7%
Total	$ 198,753,994	100%	$ 197,326,309	100%

FINANCIAL HIGHLIGHTS

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
11.83	12.36	12.42	12.38	12.70	12.65	12.56	12.13	5.55	11.78	(A) Marketing Price Per Share
13.30	12.08	12.64	13.04	11.68	10.81	10.86	10.94	11.56	11.64	Premium Income Per Share
3.11	3.20	3.20	3.29	3.43	3.52	3.60	3.59	3.62	3.77	Investment Income Per Share
(.05)	.27	(.10)	.09	.36	.09	.09	.10	(.31)	(.33)	(B) (D) Earnings Per Share
.19	.07	.03	(.15)	.07	.11	.00	(.03)	.09	.05	(E) Realized Capital Gains (Losses) Per Share
.14	.34	(.07)	(.06)	.43	.20	.09	.07	(.22)	(.28)	(B) (C) Earnings Per Share
.0900	.0500	.0400	.0100	.0000	.0300	.0100	.0100	.0200	.0000	Dividends Declared Per Share
7.19	7.05	7.04	7.30	7.48	7.57	7.37	7.14	7.15	6.75	(B) Tangible Book Value Per Share
17,068	17,068	17,068	17,068	17,068	17,068	17,068	17,068	17,068	17,068	Common Shares Outstanding (000)
164	175	176	170	170	167	170	170	78	174	% Price to Book Value
84	36	-	-	30	63	140	173	-	-	Year End P/E Ratio
.76	.40	.32	.08	-	.24	.08	.08	.36	-	Year End Dividend Yield (%)
122,693	120,333	120,157	124,564	127,625	129,198	125,850	121,798	122,042	115,201	Net Worth ($000)
0.7	4.2	-	-	5.8	2.3	1.0	0.8	-	-	% Profits Retained to Common Equity
63.5	14.5	-	-	-	14.9	11.7	14.4	-	-	% Cash Dividends to Net Profit

(A) Due to recent regulatory changes, the Company's stock in 2021 was temporarily removed from the OTC's publicly quoted market and was resolved as of January 2022.

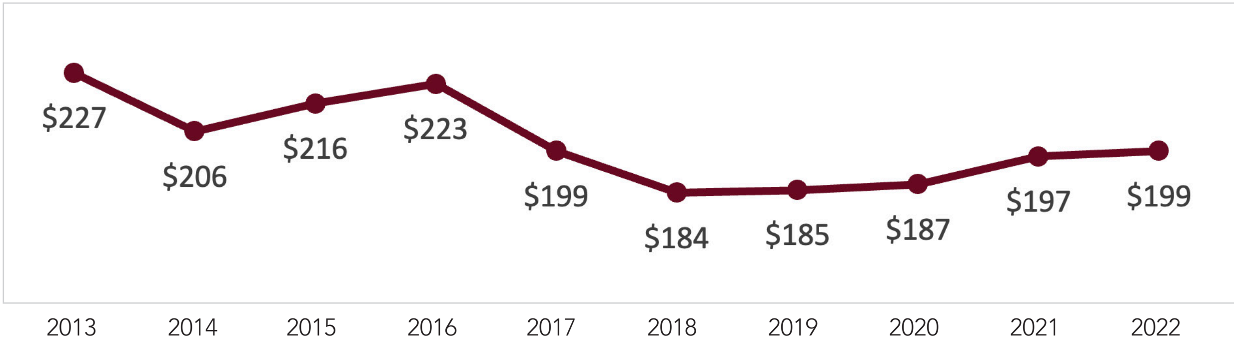
(B) The statutory basis of accounting applies (used for reporting to the respective Insurance Departments).

(C) Includes realized capital gains (losses).

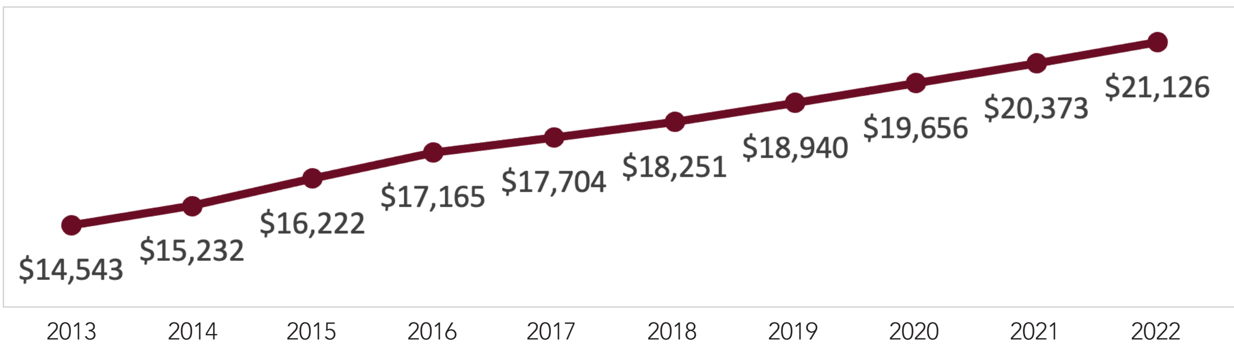
(D) Excludes realized capital gains (losses).

(E) The statutory basis of accounting requires that unrealized capital losses on investments that are determined to be other than temporary declines in value must be reclassified to be realized capital losses. In 2022, 2019, and 2016, realized capital losses of $(0.005), $(0.002), and ($(0.170) per share, respectively, are considered to be other than temporary declines in value and are charged to earnings.

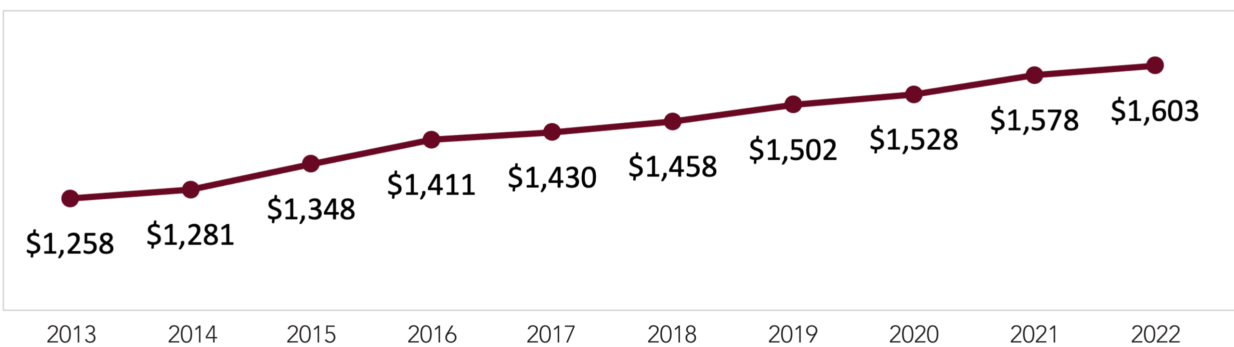
PREMIUM INCOME (In Millions)



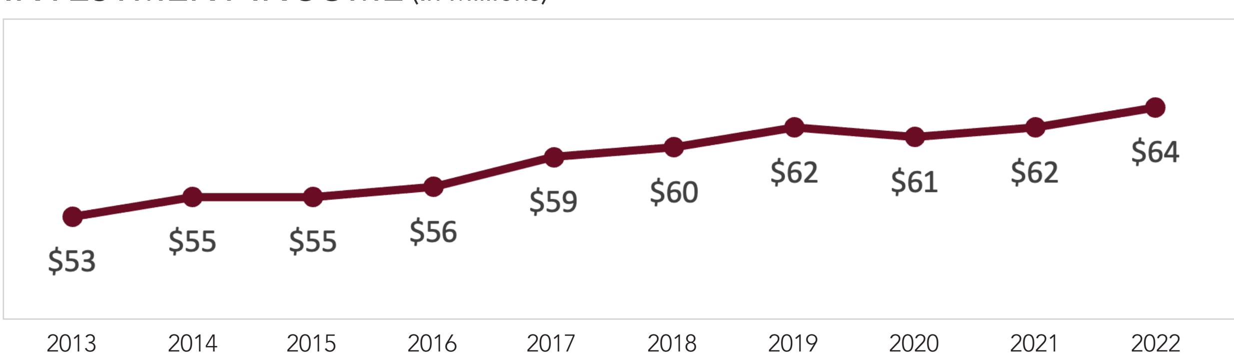
LIFE INSURANCE IN FORCE (In Millions)



CASH AND INVESTED ASSETS (In Millions)



INVESTMENT INCOME (In Millions)



Independent Auditor's Report on the Statutory Financial Statements

To the Board of Directors and Shareholders
Pekin Life Insurance Company
Pekin, Illinois

Report on the Audit of the Statutory Financial Statements

Opinions

We have audited the statutory financial statements of Pekin Life 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 operations, changes in policyholders' surplus, 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 statutory financial statements are prepared 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
March 30, 2023

STATUTORY BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

	2022	2021
Admitted Assets:		
Bonds	$ 1,417,918,972	$ 1,404,584,233
Common Stocks	29,754,288	37,150,718
Mortgage Loans	109,984,934	103,429,238
Real Estate Occupied by the Company, Net of Depreciation	1,179,253	1,213,404
Cash, Cash Equivalents, and Short-Term Investments	4,188,582	10,282,895
Contract Loans	13,711,399	13,650,248
Receivables for Securities	112,447	699,288
Securities Lending Reinvested Collateral Assets	25,807,302	7,148,437
Total Cash and Invested Assets	1,602,657,177	1,578,158,461
Life and Health Premiums Due and Unpaid	73,457	84,983
Life Premiums Deferred	25,880,179	25,231,454
Investment Income Accrued	15,037,030	13,547,912
Amounts Recoverable from Reinsurers	281,855	1,550,921
Current Federal Income Tax Recoverable	1,182,791	274,447
Net Deferred Tax Asset	7,849,153	7,479,943
Total Admitted Assets	$ 1,652,961,642	$ 1,626,328,121
Liabilities:		
Aggregate Reserve for Contracts:		
Life	$ 1,013,898,917	$ 960,907,492
Annuity	352,268,163	362,058,413
Health	19,693,926	20,611,395
Total Aggregate Reserve for Contracts	1,385,861,006	1,343,577,300
Contract Claims:		
Life	15,707,515	14,550,599
Health	4,150,635	3,774,257
Total Contract Claims	19,858,150	18,324,856
Other Policy Liabilities:		
Premium Received in Advance	2,199,049	2,105,917
Policyholders' Dividends	11,390	11,249
Deposit Administration Contracts	27,512,465	45,459,096
Other Deposit-Type Contracts	17,483,406	18,964,675
Total Other Policy Liabilities	47,206,310	66,540,937
Interest Maintenance Reserve	18,965,892	22,444,679
Expenses and Taxes Accrued	5,420,662	5,800,197
Amounts Withheld or Retained	1,831,529	1,924,900
Asset Valuation Reserve	14,700,451	18,445,787
Due to Parent	3,901,215	2,967,673
Drafts Outstanding	4,431,628	4,765,098
Payable for Securities Lending	25,807,302	7,148,437
Pension Liability	14,824	1,990,105
Post-Retirement Liability	6,745,645	7,540,716
Other Liabilities	3,016,026	2,815,262
Total Liabilities	1,537,760,640	1,504,285,947
Capital and Surplus:		
Capital Stock, Par Value $1.25; 22,000,000 Shares Authorized; Shares Issued - 17,600,000; and Shares Outstanding - 17,068,023	22,000,000	22,000,000
Paid-In Surplus	900,000	900,000
Unassigned Surplus	96,570,606	103,411,778
Treasury Stock, Shares at Cost, 531,977 in 2022 and 2021	(4,269,604)	(4,269,604)
Total Capital and Surplus	115,201,002	122,042,174
Total Liabilities, Capital, and Surplus	$ 1,652,961,642	$ 1,626,328,121

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

STATUTORY STATEMENTS OF OPERATIONS AND CHANGES IN POLICYHOLDERS' SURPLUS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Income:		
Life Premiums	$ 139,525,319	$ 138,436,468
Annuity Considerations	13,741,304	13,324,183
Health Premiums	45,487,371	45,565,658
Net Investment Income	64,427,089	61,727,855
Total Income	263,181,083	259,054,164
Deductions:		
Benefits to Policyholders and Beneficiaries:		
Life	95,666,507	91,353,035
Annuity	35,581,753	34,445,544
Health	34,762,730	31,192,437
Total Benefits to Policyholders and Beneficiaries	166,010,990	156,991,016
Changes to Policy Reserves:		
Life	52,991,425	54,107,050
Annuity	(9,790,250)	(7,966,265)
Health	(917,469)	(135,405)
Total Changes to Policy Reserves	42,283,706	46,005,380
Expenses:		
Commissions and Service Fees	24,088,255	24,127,363
General Insurance Expenses	32,586,049	31,956,913
Taxes, Licenses, and Fees	3,985,976	3,096,633
Total Expenses	60,660,280	59,180,909
Total Deductions	268,954,976	262,177,305
Loss Before Federal Income Tax Expense and Net Realized Capital Gains	(5,773,893)	(3,123,141)
Federal Income Tax Expense (Benefit)	(158,013)	2,176,219
Loss Before Net Realized Capital Gains, Net of Tax	(5,615,880)	(5,299,360)
Net Realized Capital Gains, Net of Tax	873,200	1,529,310
Net Loss	$ (4,742,680)	$ (3,770,050)
Net Loss Before Net Realized Capital Gains Per Share	$ (0.33)	$ (0.31)
Net Realized Capital Gains, Net of Income Taxes Per Share	0.05	0.09
Net Loss Per Share	$ (0.28)	$ (0.22)
Shares Outstanding	17,068,023	17,068,023
Changes in Policyholders' Surplus:		
Policyholders' Surplus - Beginning of Year	$ 122,042,174	$ 121,797,654
Changes in Policyholders' Surplus:		
Net Loss	(4,742,680)	(3,770,050)
Net Unrealized Capital Gains (Losses)	(9,696,613)	4,622,719
Asset Valuation Reserve	3,745,336	(3,247,659)
Net Deferred Tax Asset	2,961,098	1,236,807
Non-Admitted Assets	(4,685,320)	(1,327,627)
Provision for Reinsurance	24,710	25,380
Pension Benefit Obligations	3,769,356	2,421,486
Post-Retirement Benefit Obligations	1,782,941	624,824
Shareholder Dividends - Cash ($0.00 and $0.02 per share)	-	(341,360)
Net Increase (Decrease)	(6,841,172)	244,520
Policyholders' Surplus - End of Year	$ 115,201,002	$ 122,042,174

STATUTORY STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash from Operations:		
Premiums Collected, Net of Reinsurance	$ 198,254,508	$ 196,363,511
Net Investment Income	61,231,537	60,934,803
Miscellaneous Income	730,414	689,660
Total Cash Received	260,216,459	257,987,974
Benefits and Loss Related Payments	163,197,306	158,315,084
Commissions, Expenses Paid, and Other Deductions	61,336,982	58,933,529
Dividends Paid to Policyholders	11,186	11,274
Federal Income Taxes Paid	911,512	2,714,358
Total Cash Disbursed	225,456,986	219,974,245
Net Cash from Operations	34,759,473	38,013,729
Cash from Investments:		
Proceeds from Investments Sold, Matured, or Repaid:		
Bonds	173,356,497	209,141,483
Stocks	7,645,755	6,850,648
Mortgage Loans	9,352,523	8,145,292
Miscellaneous	586,841	6,520,216
Total Investment Proceeds	190,941,616	230,657,639
Cost of Investments Acquired:		
Bonds	188,528,315	246,018,965
Stocks	8,843,326	6,850,494
Mortgage Loans	15,908,226	14,330,492
Real Estate	-	920,009
Miscellaneous	18,658,865	4,199,288
Total Investments Acquired	231,938,732	272,319,248
Net Increase (Decrease) in Contract Loans	61,151	(928,085)
Net Cash from Investments	(41,058,267)	(40,733,524)
Cash from Financing and Miscellaneous Sources:		
Dividends to Shareholders	-	(341,360)
Net Deposits on Deposit-Type Contracts	(19,427,900)	17,118,303
Other Cash Provided (Applied)	19,632,381	(8,322,423)
Net Cash from Financing and Miscellaneous Sources	204,481	8,454,520
Net Change in Cash, Cash Equivalents, and Short-Term Investments	(6,094,313)	5,734,725
Cash, Cash Equivalents, and Short-Term Investments at Beginning of Year	10,282,895	4,548,170
Cash, Cash Equivalents, and Short-Term Investments at End of Year	$ 4,188,582	$ 10,282,895

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

1. Nature of Operations and Summary of Significant Accounting Practices

Pekin Life Insurance Company (Company) is a life and accident and health insurance company domiciled in the State of Illinois that is licensed to operate in 24 states across the nation. The Company sells insurance primarily through independent agents. Insurance products primarily include ordinary life, Medicare Supplement, credit life and health, annuities, and pre-need life. The Company also offers group life, dental, and short-term disability as well as voluntary products.

The Company continually evaluates its products to ensure ongoing alignment with corporate objectives. In 2022, as a result of this evaluation process, the Company is exiting the Financial Products Market (which represents $13.2 million and $13.8 million of credit life and credit accident and health premium in 2022 and 2021, respectively). The Company will not accept new premium after March 31, 2023 and will continue to retain its current block of business.

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: 1) the estimated life, annuity, and health insurance contract reserves, 2) the assumptions regarding the other than temporary impairment analysis of the investment portfolio, 3) the assumptions, including the discount rate, used to determine the benefit obligations for the defined benefit pension plan and other post-retirement benefit plan, and 4) the amount of deferred tax assets expected to be realized in future years.

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 and stocks are valued in accordance with rules prescribed by the NAIC, whereby bonds eligible for amortization under such rules are stated at amortized cost. The Company uses a modified scientific method for amortizing bonds. Common stocks are generally carried at fair market value.

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 six 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, along with the deferred federal income tax effect. Unrealized capital losses on investments that are determined to be other than temporary declines in value are 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.

Investments in debt securities are generally carried at amortized cost and investments in equity securities are carried at fair value. Under GAAP, the Company's debt securities would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, debt securities classified as held-to-maturity would be carried at cost or amortized cost and debt securities 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. Equity securities would be carried at fair value with the unrealized holding gains and losses reported in income.

Mortgage loans and contract loans are stated at the aggregate of unpaid loan balances, which approximate fair value. The stated value of contract loans is not in excess of cash surrender values of related policies.

The investment in the Company's wholly owned subsidiary is accounted for using the statutory equity method in which undistributed earnings are reported as unrealized gains and losses; under GAAP, the financial statements of the subsidiary would be consolidated with those of the Company.

The asset valuation reserve (AVR) is maintained as prescribed by the NAIC for the purpose of stabilizing surplus against fluctuations in the market values of invested assets. The AVR is reported as a liability and changes are charged or credited directly to unassigned surplus. The AVR would not be required under GAAP.

The interest maintenance reserve (IMR) is maintained as prescribed by the NAIC to defer realized capital gains and losses which result from changes in interest rates for fixed income securities and to amortize these capital gains and losses into investment income over the remaining life of the investments sold, rather than reflecting the gains or losses in the year of sale. The IMR would not be required under GAAP.

An occupancy rental charge on home office real estate owned is recorded as investment income and as offsetting rental expense; under GAAP, no such rental charge would be recognized.

B. Non-Admitted Assets

Certain assets designated as "non-admitted assets" (primarily nonoperating system software, office furniture and equipment, and certain deferred tax assets) are charged against policyholders' surplus. Under GAAP, nonoperating software and office furniture and equipment would be recognized as assets net of accumulated depreciation and amortization, and deferred taxes would be accounted for as noted in Note 1G.

C. Policy Reserves and Claim Reserves

Policy reserves on life insurance are based on statutory mortality and interest rate requirements and are computed using principally net level and modified preliminary term methods with interest rates ranging primarily from 2.25 percent to 6.00 percent. The use of a modified reserve basis partially offsets the effect of immediately expensing policy acquisition costs. Policy reserves on annuities are based on statutory mortality and interest requirements with interest rates ranging primarily from 1.50 percent to 11.25 percent. Under GAAP, reserves would be based on mortality, lapse, withdrawal, and interest rate assumptions that are based on Company experience.

Liabilities for accident and health policies include unearned premiums and additional reserves. The liability for future policy benefits and claims on life and health insurance products includes estimated unpaid claims that have been reported to the Company and claims incurred but not yet reported. Changes in estimates are reflected in current operations.

D. Reinsurance

The Company has long-standing reinsurance treaties in place for its life 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. In order to maintain an appropriate balance between the cost of reinsurance and surplus growth, the Company periodically evaluates its retention levels related to specific types of life insurance policies.

Assets and liabilities related to reinsurance ceded transactions are netted with respective accounts: under GAAP, reinsurance balances would be shown on a separate gross basis.

Commissions on reinsurance ceded are credited to income at the time premium is ceded; under GAAP, commissions on ceded premium would be deferred and recognized as income over the periods covered by the policies.

E. Premiums

Premiums deferred and uncollected represent modal premiums, either due and uncollected or not yet due, where policy reserves have been provided on the assumption that the full modal premium for the current policy year has been collected. Also, where policy reserves have been provided on a continuous premium assumption, premiums uncollected are similarly defined.

Premiums and annuity considerations are recognized as income over the premium paying period of the policies. Acquisition costs, such as commissions and other costs related to the new business, are expensed as incurred. Contracts that permit the insured to change the amount and timing of premium payments, such as universal life products, are recorded as revenue when received. Under GAAP, revenues would include only policy charges for the cost of insurance, contract initiation and administration, surrender charges, and other fees that have been assessed against contract account values; and benefits would represent the excess of benefits paid over the policy account value and interest credited to the account values. Additionally, acquisition costs under GAAP would be capitalized and amortized over the policy period.

F. Cash, Cash Equivalents, and Short-Term Investments

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 a remaining maturity of one year or less to be cash, cash equivalents, and short-term investments. The Company occasionally has on deposit in a financial institution a balance in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). On December 31, 2022, the Company held $8,879,810 in one financial institution in excess of the FDIC limit. The Company does not believe it is exposed to any significant credit risks on this account.

G. 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 would 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.

H. Leases

All leases are accounted for as operating leases and are expensed as incurred. Under GAAP, leases would be classified separately as either finance or operating leases and recorded on the balance sheet as right-of-use assets and lease liabilities. For finance leases, the lessee would recognize amortization of the right-to-use asset and interest expense on the lease liability in separate line items on the statement of operations. For operating leases, the lessee would recognize a single lease cost, which is generally amortized on a straight-line basis over the remaining lease term.

I. Subsequent Events

Subsequent events were evaluated through March 30, 2023, which is the date the financial statements were available to be issued.

J. Other

Treasury stock is recorded at cost and reported as a reduction of capital and surplus under both statutory accounting practices and GAAP.

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 presented under GAAP.

Necessary reclassifications are made in prior period financial statements, whenever appropriate, to conform to the current presentation.

2. Pension Plan, Post-Retirement Benefits, 401(k) Savings Plan, and Deferred Compensation

Pension Benefits

The Company, its parent (The Farmers Automobile Insurance Association), and its affiliates participate in a trusteed non-contributory defined benefit pension plan for certain employees. The Company and its affiliates adopted an amendment to freeze participation in the Plan for employees hired after January 1, 2013. The Company and its affiliates also adopted an amendment to freeze accrued benefits for all non-grandfathered participants. Non-grandfathered participants are participants who did not attain age 50 on or before December 31, 2017, and whose age and credited years of service as of December 31, 2017, did not exceed 75 points. Additionally, the Company and its affiliates adopted an amendment to offer a one-time, voluntary, early retirement benefit for certain grandfathered Plan participants.

The funding policy is to contribute annually an amount that represents the current cost of benefits expected to be earned in the current year offset by the expected asset return higher than the discount rate, but no more than the maximum amount that can be deducted for federal income tax purposes. Each affiliate is charged for its applicable share of such contributions based on a percent of projected benefit obligation.

Post-Retirement Benefits

In addition to providing pension benefits, the Company and its affiliates provide certain health care and life insurance benefits (post-retirement benefits) for retired employees. Employees hired prior to 2013 may become eligible for these benefits if they reach retirement age while working for the Company.

Expected Cash Flows

The Company and its affiliates expect to contribute to the Pension Plan in 2023. The amount of the contribution is not known. The Company and its affiliates do not expect to contribute to the Post-Retirement Benefit Plan in 2023.

The following benefit payments for the Company and its affiliates, which reflect expected cash flows for future service, are expected to be paid:

Year	Pension Benefits	Post-Retirement Benefits
2023	$ 2,958,000	$ 2,249,000
2024	3,277,000	2,299,000
2025	3,366,000	2,424,000
2026	4,364,000	2,580,000
2027	3,492,000	2,598,000
2028-2032	19,785,000	14,649,000

Obligations, Assets, and Assumptions

A summary, on an aggregate basis, of obligations, assets and net periodic benefit costs of the Pension and Post-Retirement Benefit Plans for the Company and its affiliates is as follows at December 31:

	Pension Benefits		Post-Retirement Benefits	
	2022	**2021**	**2022**	**2021**
Change in Benefit Obligation:				
Benefit Obligation at Beginning of Year	$ 79,168,520	$ 90,651,572	$56,363,369	$60,364,345
Service Cost	894,495	1,228,851	1,167,819	1,261,423
Interest Cost	1,544,369	1,142,780	1,464,895	1,335,440
Actuarial Gain	(21,402,790)	(430,135)	(8,438,365)	(4,958,162)
Benefits Paid	(19,409,351)	(13,424,548)	(1,498,686)	(1,639,677)
Benefit Obligation at End of Year	$ 40,795,243	$ 79,168,520	$49,059,032	$56,363,369
Accumulated Benefit Obligation	$ 39,057,787	$ 75,011,982	$49,059,032	$56,363,369
Change in Plan Assets:				
Fair Value of Plan Assets at Beginning of Year	$ 71,424,278	$ 65,001,504	$22,752,992	$23,464,025
Actual Return on Plan Assets	(598,322)	10,547,322	631,524	697,174
Employer Contribution	1,700,000	9,300,000	-	-
Benefits Paid	(19,409,351)	(13,424,548)	(1,245,456)	(1,408,207)
Fair Value of Plan Assets at End of Year	$ 53,116,605	$ 71,424,278	$22,139,060	$22,752,992
Funded Status:				
Recognized Liabilities				
Accrued Benefit Costs (Prepaid Asset)	$ (6,865,284)	$ (1,561,549)	$30,571,699	$29,578,627
Liability (Prepaid Asset) for Benefits	(5,456,078)	9,305,791	(3,651,727)	4,031,750
Total Liabilities Recognized (Nonadmitted Prepaid Asset)	$ (12,321,362)	$ 7,744,242	$26,919,972	$33,610,377
Unrecognized Liabilities	$ -	$ -	$ -	$ -
Components of Net Periodic Benefit Cost:				
Service Cost	$ 894,495	$ 1,228,851	$ 1,167,819	$ 1,261,423
Interest Cost	1,544,369	1,142,780	1,464,895	1,335,440
Expected Return on Plan Assets	(3,607,677)	(3,118,344)	(682,590)	(645,261)
Amortization of				
Net Losses	160,943	1,261,763	293,603	987,418
Prior Service Cost	-	-	(997,425)	(997,425)
Settlement/Curtailment	(2,595,865)	1,577,976	-	-
Total Net Periodic (Benefit) Cost	$ (3,603,735)	$ 2,093,026	$ 1,246,302	$ 1,941,595

The net periodic benefit cost of the Pension and Other Post-Retirement Benefit Plans is measured on a seriatim basis that projects future benefit costs participant by participant based on demographic characteristics. The projected costs are discounted to a present value.

Below is a summary, on a Company basis, of obligations, assets, and net periodic benefit costs of the Pension Benefit Plan at December 31:

	Farmers Automobile Insurance Association		Pekin Insurance Company		Pekin Life Insurance Company		Combined Companies	
	2022	2021	2022	2021	2022	2021	2022	2021
Benefit Obligation	$ 24,317,232	$ 47,075,042	$ 6,079,308	$ 11,768,761	$ 10,398,703	$ 20,324,717	$ 40,795,243	$ 79,168,520
Plan Assets	31,661,746	42,471,733	7,915,436	10,617,933	13,539,423	18,334,612	53,116,605	71,424,278
Underfunded (Overfunded)	$ (7,344,514)	$ 4,603,309	$ (1,836,128)	$ 1,150,828	$ (3,140,720)	$ 1,990,105	$ (12,321,362)	$ 7,744,242
Accrued Benefit Costs (Prepaid Asset)	$ (2,967,790)	$ 186,022	$ (741,950)	$ 46,504	$ (3,155,544)	$ (1,794,075)	$ (6,865,284)	$ (1,561,549)
Liability (Prepaid Asset) for Benefits	(4,376,724)	4,417,287	(1,094,178)	1,104,324	14,824	3,784,180	(5,456,078)	9,305,791
	$ (7,344,514)	$ 4,603,309	$ (1,836,128)	$ 1,150,828	$ (3,140,720)	$ 1,990,105	$ (12,321,362)	$ 7,744,242
Net Periodic Benefit Cost	$ (2,073,774)	$ 1,144,461	$ (518,442)	$ 286,115	$ (1,011,519)	$ 662,450	$ (3,603,735)	$ 2,093,026

Below is a summary, on a Company basis, of obligations, assets, and net periodic benefit costs of the Post-Retirement Benefit Plan at December 31:

	Farmers Automobile Insurance Association		Pekin Insurance Company		Pekin Life Insurance Company		Combined Companies	
	2022	2021	2022	2021	2022	2021	2022	2021
Benefit Obligation	$ 30,528,595	$ 34,973,506	$ 7,632,149	$ 8,743,376	$ 10,898,288	$ 12,646,487	$ 49,059,032	$ 56,363,369
Plan Assets	13,777,580	14,117,776	3,444,395	3,529,445	4,917,085	5,105,771	22,139,060	22,752,992
Underfunded	$ 16,751,015	$ 20,855,730	$ 4,187,754	$ 5,213,931	$ 5,981,203	$ 7,540,716	$ 26,919,972	$ 33,610,377
Accrued Benefit Costs	$ 19,060,847	$ 18,445,131	$ 4,765,207	$ 4,611,279	$ 6,745,645	$ 6,522,217	$ 30,571,699	$ 29,578,627
Liability (Prepaid Asset) for Benefits	(2,309,832)	2,410,599	(577,453)	602,652	(764,442)	1,018,499	(3,651,727)	4,031,750
	$ 16,751,015	$ 20,855,730	$ 4,187,754	$ 5,213,931	$ 5,981,203	$ 7,540,716	$ 26,919,972	$ 33,610,377
Net Periodic Benefit Cost	$ 773,306	$ 1,224,604	$ 193,326	$ 306,150	$ 279,670	$ 410,841	$ 1,246,302	$ 1,941,595

Following are components of net periodic benefit cost as they related to unassigned surplus for the Company and its affiliates at December 31:

	Pension Benefits		Post-Retirement Benefits	
	2022	2021	2022	2021
Amounts in Unassigned Surplus Recognized as Components of Net Periodic Benefit Cost:				
Items Not Yet Recognized from Prior Year	$ 9,305,791	$ 20,004,643	$ 4,031,750	$ 9,031,818
Net Prior Service Cost Recognized	-	-	997,425	997,425
Net (Gain) Loss Arising During the Period	(17,196,791)	(7,859,113)	(8,387,299)	(5,010,075)
Net Loss Recognized	2,434,922	(2,839,739)	(293,603)	(987,418)
Items Not Yet Recognized Current Year	$ (5,456,078)	$ 9,305,791	$ (3,651,727)	$ 4,031,750
Amounts in Unassigned Surplus Not Yet Recognized as Components of Net Periodic Benefit Cost:				
Net Prior Service Cost	$ -	$ -	$ (3,560,806)	$ (4,558,231)
Net Recognized (Gains) Losses	$ (5,456,078)	$ 9,305,791	$ (90,921)	$ 8,589,981

Weighted average assumptions used to determine the projected benefit obligation are shown below at December 31:

	Pension Benefits		Post-Retirement Benefits	
	2022	2021	2022	2021
Discount Rate	5.11%	2.66%	5.29%	3.16%
Rate of Compensation Increase	4.00% to 8.75%	3.50% to 8.25%	N/A	N/A

Weighted average assumptions used to determine the net periodic benefit cost are shown below for the years ended December 31:

	Pension Benefits		Post-Retirement Benefits	
	2022	2021	2022	2021
Discount Rate	2.66%	2.23%	3.16%	2.93%
Rate of Compensation Increase	3.50% to 8.25%	3.50% to 8.25%	N/A	N/A
Expected Long-Term Rate of Return on Plan Assets	5.25%	5.00%	3.00%	2.75%

The health care portion of the post-retirement benefit plan is contributory, with participants' contributions adjusted annually as determined by the Company; the life insurance portion of the post-retirement benefit plan is noncontributory. For 2022, the health care cost trend rate in 2023 was 6.87 percent/7.26 percent for pre-65/post-65, then graded down to 4.50 percent by 2031 onwards. In 2021, the health care cost trend rate in 2022 was 6.25 percent/6.49 percent for pre-65/post-65, then graded down to 4.50 percent by 2030 onwards.

The retirement plan assets are held in a deposit administration contract and equity securities. The Trustees of the Farmers Automobile Insurance Association Retirement Plan maintain a deposit administration contract with the Company for pension benefits. The contract is a group annuity contract consisting of employer contributions with guaranteed interest, less annuities purchased, to provide benefit payments to retirees and lump sum benefits paid directly to participants. The fair value of the contract included in plan assets of the Company and its affiliates was $5,373,405 and $22,706,104 as of December 31, 2022 and 2021, respectively, or 10 percent and 32 percent of total plan assets. Equity securities comprise the remaining plan assets. At December 31, 2022 and 2021, equity securities, cash and cash equivalents amounted to $47,743,200 and $48,718,174, respectively, or 90 percent and 68 percent of total plan assets. In 2022 and 2021, the Trustees liquidated $0 and $20,000,000 of equity securities and transferred these funds into the deposit administration contract.

The expected long-term rate of return on plan assets was selected based upon current market conditions, company experience, and future company expectations.

The specific goal of the investment portfolio is to maintain a fully funded plan over time to ensure the benefit for the plan participants. New contributions are invested in equity securities until the amount in equities exceeds 45 percent of the plan's total assets. Additional amounts will be paid into the deposit administration contract, unless the equity portfolio falls under 45 percent. If the equity portfolio exceeds 60 percent of the plan's assets, part of the equity portfolio will be liquidated and proceeds moved into the deposit administration contract within a reasonable time frame. There are three return objectives. The primary benchmark is the projected annual rate of return used by the plan's actuary. The average annualized investment performance of the invested assets, net of investment-related expenses, should be equal to or in excess of this benchmark. The secondary (equity) benchmark is the percent total rate of return of a balanced portfolio comprised of a 70 percent weighting of the Standard & Poor's 500 Index and a 30 percent weighting of the Barclay's Government Corporate Index. The secondary (fixed income) benchmark is the weighted average rate of return of the Company's bond portfolio, excluding mortgage-backed securities, less 0.75 percent which includes 0.25 percent for expenses and 0.50 percent for spread. All plan assets, in excess of those funds targeted for short-term cash flows needs, should be invested in a manner consistent with the basic principles of prudent long-term portfolio management. Derivatives, private placement securities, and commodity contracts are prohibited investment vehicles. The Trustees of the plan recognize the long-term nature of the majority of the plan's assets.

The Farmers Automobile Insurance Association Retirement Plan maintains an account to partially fund health benefits provided to certain retirees and eligible dependents through a deposit administration contract with the Company. The permissible account funding was determined in accordance with generally recognized and accepted actuarial principles and practices, which are consistent with the Actuarial Standards of Practice. As of December 31, 2022 and 2021, the fair value of the contract was $ 22,139,060 and $22,752,992, respectively. No contributions were made into the deposit administration contract in 2022 and 2021.

The Company utilizes the following valuation techniques in determining the level within the fair value hierarchy of the Pension Plan and Post-Retirement Plan assets:

Level 1 – Quoted market prices reported on the active markets on which the individual stocks and money market funds are traded.

Level 3 – Principal valuation technique is discounted cash flows. Unobservable inputs are credit rate and payout date.

The following table sets forth by level, within the fair value hierarchy, the assets of the Pension Plan and Post-Retirement Plan at fair value as of December 31, 2022, for the Company and its affiliates:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Pension Plan Assets:				
Equity Securities				
Communications Services	$ 2,486,615	$ -	$ -	$ 2,486,615
Consumer Discretionary	3,095,290	-	-	3,095,290
Consumer Staples	4,357,550	-	-	4,357,550
Energy	4,175,902	-	-	4,175,902
Financials	7,694,150	-	-	7,694,150
Health Care	6,756,170	-	-	6,756,170
Industrials	4,255,502	-	-	4,255,502
Information Technology	5,054,192	-	-	5,054,192
Materials	825,140	-	-	825,140
Utilities	7,809,705	-	-	7,809,705
Total Equity Securities	46,510,216	-	-	46,510,216
Cash and Cash Equivalents	1,232,984	-	-	1,232,984
Deposit Administration Contract	-	-	5,373,405	5,373,405
Total Pension Plan Assets	$ 47,743,200	$ -	$ 5,373,405	$ 53,116,605
Post-Retirement Plan Assets:				
Deposit Administration Contract	$ -	$ -	$ 22,139,060	$ 22,139,060
Total Post-Retirement Plan Assets	$ -	$ -	$ 22,139,060	$ 22,139,060

The following table sets forth by level, within the fair value hierarchy, the assets of the Pension Plan and Post-Retirement Plan at fair value as of December 31, 2021, for the Company and its affiliates:

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Pension Plan Assets:				
Equity Securities				
Communications Services	$ 2,971,325	$ -	$ -	$ 2,971,325
Consumer Discretionary	2,614,100	-	-	2,614,100
Consumer Staples	4,272,962	-	-	4,272,962
Energy	3,166,418	-	-	3,166,418
Financials	9,029,893	-	-	9,029,893
Health Care	6,210,035	-	-	6,210,035
Industrials	3,950,465	-	-	3,950,465
Information Technology	6,563,760	-	-	6,563,760
Materials	1,186,505	-	-	1,186,505
Utilities	8,479,328	-	-	8,479,328
Total Equity Securities	48,444,791	-	-	48,444,791
Cash and Cash Equivalents	273,383	-	-	273,383
Deposit Administration Contract	-	-	22,706,104	22,706,104
Total Pension Plan Assets	$ 48,718,174	$ -	$ 22,706,104	$ 71,424,278
Post-Retirement Plan Assets:				
Deposit Administration Contract	$ -	$ -	$ 22,752,992	$ 22,752,992
Total Post-Retirement Plan Assets	$ -	$ -	$ 22,752,992	$ 22,752,992

Director Retirement Plan

Pursuant to a retirement plan for directors elected prior to 2004, eligible directors will receive a retirement benefit equal to the annual retainer in effect on the directors' retirement dates. The Company's benefits paid were $74,300 and $63,300 in 2022 and 2021. The Company's liability for the director retirement benefit was $268,448 and $303,959 at December 31, 2022 and 2021, respectively. In December 2021, the Board adopted an additional director retirement plan for eligible directors not in the aforementioned director retirement plan. The benefits paid were $50,854 and $0 at December 31, 2022 and in 2021, respectively. The liability for the director retirement benefit under the additional plan was $880,937 and $875,760 at December 31, 2022 and 2021, respectively.

401(k) Savings Plan

The Company and its affiliates participate in a voluntary 401(k) savings plan for eligible participants. Participation requires that an employee be at least 18 years of age and not a temporary employee. The Company may elect, at the discretion of the Trustees, to contribute a matching percentage of the participants' contributions to the participants' accounts. In 2022 and 2021, the Company elected to match 25 percent of the employee's contribution up to a maximum match of $400 to employees hired prior to January 1, 2013.

Employees hired after January 1, 2013, may receive, at the discretion of the Company, a contribution from the Company based on a percentage of eligible earnings and a Company match of the employee's percentage of contribution. The Company contributed 3.0 percent of employees' eligible earnings and a 75.0 percent match of the employees' percentage of contribution not to exceed 7.0 percent of employees' eligible earnings in 2022 and 2021.

Employer contributions of $555,641 and $498,307, respectively, were made to this plan for all participants in 2022 and 2021.

Deferred Compensation

The Company maintains a deferred compensation plan for the directors. This plan allows for voluntary deferral of all or any part of the compensation to which a director might otherwise be entitled to as director fees, in accordance with the plan provisions. During 2022 and 2021, $26,000 and $22,000 of director fees were deferred, respectively. The liability for director deferred compensation was $232,890 and $226,495 at December 31, 2022 and 2021, respectively.

3. Affiliated Entity Transactions

The Farmers Automobile Insurance Association (Association) and its wholly owned subsidiary, Pekin Insurance Company, owned 90.42 percent and 89.39 percent of the Company at December 31, 2022 and 2021, respectively. The Company and the Association utilize many common facilities, management, administrative and office personnel, and services. The Association incurs such expenses and allocates the related cost to the Company on a specific identification basis. Intercompany balances are paid periodically throughout the year based on estimates and settled within 45 days after year end based on actual allocated expenses. Such expenses allocated to the Company were $6,719,215 in 2022 and $6,605,247 in 2021.

The Company owns 100 percent of the common stock of Pekin Financial Life Insurance Company, a stock life insurance company. The subsidiary did not have a carrying value as of December 31, 2022 and 2021. Notes receivable due from Pekin Financial Life Insurance Company include a non-admitted surplus note of $350,000 as of December 31, 2022 and 2021.

The Company's home office building has a book value of $1,179,253 and was constructed on land leased from the Association for a term expiring on December 31, 2026, with a year-to-year extension of the lease thereafter. Automatic termination would occur with change of control of the Company. The Association has an irrevocable option to purchase the building at any time during the lease or in the event the lease is canceled. The purchase price of the building shall be the fair market value as of the closing date. The annual lease payment is $1,000.

In connection with structured settlements, the Association purchased 11 annuities from the Company in 2022 and 5 annuities in 2021. The single premium for these annuities totaled $686,468 and $368,132 in 2022 and 2021, respectively. The total reserve carried by the Company at December 31, 2022 and 2021, is $9,783,925 and $9,616,745, respectively. The Association's claimants are the payees.

4. 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	$ 2,917,674	$ -	$ 218,361	2,699,313
Other Government	19,162,485	10,407	2,107,586	17,065,306
U.S. States, Territories and Possessions	5,125,000	-	950,205	4,174,795
U.S. Political Subdivisions	10,084,851	-	1,097,021	8,987,830
U.S. Special Revenue and Special Assessment	111,174,406	1,987,173	12,149,653	101,011,926
Industrial and Miscellaneous	990,076,403	6,767,156	122,948,231	873,895,328
Hybrid Securities	4,003,973	-	158,868	3,845,105
Loan-Backed Securities	275,374,180	161,758	30,413,278	245,122,660
Total	$1,417,918,972	$ 8,926,494	$ 170,043,203	$1,256,802,263

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	$ 2,791,616	$ 45,583	$ 20,604	$ 2,816,595
Other Government	14,468,310	859,478	61,456	15,266,332
U.S. States, Territories and Possessions	9,124,957	753,463	54,219	9,824,201
U.S. Political Subdivisions	10,064,509	838,109	93,325	10,809,293
U.S. Special Revenue and Special Assessment	110,129,303	20,546,158	196,707	130,478,754
Industrial and Miscellaneous	915,195,100	136,378,451	2,589,676	1,048,983,875
Hybrid Securities	4,005,160	344,840	-	4,350,000
Loan-Backed Securities	338,805,278	8,442,259	1,515,108	345,732,429
Total	$1,404,584,233	$ 168,208,341	$ 4,531,095	$1,568,261,479

The admitted value of loan-backed securities includes $153,459 and $204,579 of U.S. Government Guaranteed Securities for 2022 and 2021, respectively.

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	$ 4,795,140	$ 4,732,790
Due After One Year Through Five Years	191,719,412	181,509,388
Due After Five Years Through Ten Years	282,440,607	257,792,843
Due After Ten Years	938,963,813	812,767,242
Total	$1,417,918,972	$1,256,802,263

The Company does not engage in direct subprime residential mortgage lending. The Company's minimal exposure to subprime lending is limited to investments within the fixed maturity investment portfolio which contain securities collateralized by mortgages that have characteristics of subprime lending such as adjustable rate mortgages and alternative documentation mortgages. These investments are in the form of asset-backed securities collateralized by subprime mortgages and collateralized mortgage obligations backed by alternative documentation mortgages. The Company did not hold any such investments as of December 31, 2022 or 2021.

The adjusted cost and market value of investments in common stock as of December 31 are as follows:

	2022		2021	
Common Stock	**Adjusted Cost**	**Market Value**	**Adjusted Cost**	**Market Value**
Common Stock	$22,779,707	$ 29,754,288	$20,468,556	$ 37,150,718
Gross Unrealized Gains		$ 8,951,562		$ 17,119,792
Gross Unrealized Losses		1,976,981		437,630

Debt securities 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	
Description of Securities	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
U.S. Government	$ 1,403,875	$ 58,084	$ 1,295,438	$ 160,277	$ 2,699,313	$ 218,361
Other Government	13,727,552	1,905,643	827,348	201,943	14,554,900	2,107,586
U.S. States, Territories and Possessions	1,901,420	98,580	2,273,375	851,625	4,174,795	950,205
U.S. Political Subdivisions	6,416,246	118,604	2,571,584	978,417	8,987,830	1,097,021
U.S. Special Revenue and Special Assessment	52,831,338	9,935,555	6,328,416	2,214,098	59,159,754	12,149,653
Industrial and Miscellaneous	690,125,017	104,285,952	55,718,687	18,662,279	745,843,704	122,948,231
Hybrid Securities	3,845,105	158,868	-	-	3,845,105	158,868
Loan-Backed Securities	148,482,151	12,399,112	89,103,460	18,014,166	237,585,611	30,413,278
Total Bonds with Unrealized Losses	$ 918,732,704	$ 128,960,398	$ 158,118,308	$ 41,082,805	$ 1,076,851,012	$ 170,043,203

Debt securities 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	
Description of Securities	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
U.S. Government	$ 1,449,219	$ 20,604	$ -	$ -	$ 1,449,219	$ 20,604
Other Government	967,750	61,456	-	-	967,750	61,456
U.S. States, Territories and Possessions	3,070,781	54,219	-	-	3,070,781	54,219
U.S. Political Subdivisions	2,406,675	93,325	-	-	2,406,675	93,325
U.S. Special Revenue and Special Assessment	9,420,619	196,707	-	-	9,420,619	196,707
Industrial and Miscellaneous	53,876,354	1,699,651	15,342,639	890,025	69,218,993	2,589,676
Loan-Backed Securities	113,065,680	1,504,499	7,740,213	10,609	120,805,893	1,515,108
Total Bonds with Unrealized Losses	$ 184,257,078	$ 3,630,461	$ 23,082,852	$ 900,634	$ 207,339,930	$ 4,531,095

Equity securities 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	
Description of Securities	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Common Stocks	$ 11,284,343	$ 1,171,013	$ 2,829,919	$ 805,968	$ 14,114,262	$ 1,976,981
Total Common Stocks with Unrealized Losses	$ 11,284,343	$ 1,171,013	$ 2,829,919	$ 805,968	$ 14,114,262	$ 1,976,981

Equity securities 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	
Description of Securities	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Common Stocks	$ 4,150,796	$ 263,140	$ 2,490,454	$ 174,490	$ 6,641,250	$ 437,630
Total Common Stocks with Unrealized Losses	$ 4,150,796	$ 263,140	$ 2,490,454	$ 174,490	$ 6,641,250	$ 437,630

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

	2022	2021
Gains on Disposals	$ 3,182,039	$ 5,907,141
Losses on Disposals	(2,519,138)	(735,887)
OTTI	(81,029)	-
Transfers to IMR	452,508	(2,266,092)
Total	1,034,380	2,905,162
Tax Expense	(161,180)	(1,375,852)
Net Realized Capital Gains	$ 873,200	$ 1,529,310

Bonds and Certificate of Deposit reported at admitted value at December 31, 2022 and 2021, respectively, are shown below:

	2022		2021	
State of Record	**Bonds**	**Certificate of Deposit**	**Bonds**	**Certificate of Deposit**
Georgia	$ -	$ 35,000	$ -	$ 35,000
Illinois	1,701,168	-	1,570,850	-
Nevada	200,336	-	200,336	-
North Carolina	600,252	-	600,481	-
Virginia	415,919	-	419,949	-
Total Deposits	$ 2,917,675	$ 35,000	$ 2,791,616	$ 35,000

Mortgage Loans

The Company invests in mortgage loans collateralized by commercial property. The Company's mortgage loan portfolio consists of loans made on properties located in 37 states. The minimum and maximum lending rates for mortgage loans during 2022 was 3.88 percent and 6.26 percent. The minimum and maximum lending rates for mortgage loans during 2021 was 3.88 percent and 5.33 percent. In 2022 and 2021, the Company's maximum percentage of any one loan to the value of security at the time the loan was originated, exclusive of insured, guaranteed, or purchase money mortgages, was 75 percent. In 2022 and 2021, the Company's minimum percentage of any one loan to the value of security at the time the loan was originated, exclusive of insured, guaranteed, or purchase money mortgages was 17 percent and 34 percent, respectively. The Company has not included taxes, assessments, or other amounts advanced in mortgage loans at December 31, 2022 or 2021. The Company had no mortgages with interest more than 180 days past due during 2022 or 2021. There was no OTTI recognized as realized losses on mortgage loans in 2022 or 2021. There were no gains or losses from the disposal of mortgage loans in 2022 or 2021. There were no mortgage loans derecognized as a result of foreclosure during 2022 or 2021.

An age analysis of mortgage loans is shown below:

	2022	2021
Recorded Investment	Commercial All Other	
Current	$ 109,984,934	$ 103,429,238

Securities Lending

The Company lends securities to agreed upon borrowers through an agreement with its custodian. The Company requires initial collateral from the borrower in an amount no less than 102 percent of the fair value of domestic securities and no less than 105 percent of the fair value of foreign securities loaned at the outset of the contract. All collateral so received is held either in the physical custody of the custodian or for the account of the custodian by their agent or a central bank. The offsetting collateral liability is included in Payable for Securities Lending. At December 31, 2022 and 2021, respectively, the amount of securities loaned was $25,281,178 and $6,991,087, and the related collateral was $25,909,067 and $7,166,508. At December 31, 2022 collateral assets valued at $1,561,006 had maturity dates beyond one year.

The aggregate amount of cash collateral received as of December 31, 2022 and 2021 is shown below by maturity date:

	2022	2021
Maturity Date	**Fair Value**	**Fair Value**
Open	$ 14,064,407	$ 3,975,884
30 Days or Less	3,262,758	5,835
31 to 60 Days	1,765,728	467,484
61 to 90 Days	1,246,246	166,634
Greater Than 90 Days	5,251,122	1,867,992
Total Bond Collateral Received	25,590,261	6,483,829
Total Equity Collateral Received	318,806	682,679
Total Collateral Received	$ 25,909,067	$ 7,166,508

The Company participates in a liquid asset portfolio. At December 31, 2022 and 2021, the aggregate value of the reported reinvested collateral was $25,807,302 and $7,148,437 and the related fair value was $25,901,898 and $7,132,472, respectively.

As of December 31, 2022 and 2021, the Company has $33,203,255 and $9,131,542, respectively, in gross restricted assets related to securities lending agreements. This amount represents collateral that has been accepted from the borrower.

5. 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 Company's financial instruments that are reported at fair value within the statutory balance sheet as of December 31, 2022:

	2022			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 29,144,343	$ -	$ 609,945	$ 29,754,288
Cash Equivalents	2,334,054	-	-	2,334,054

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

	2021			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 37,150,718	$ -	$ -	$ 37,150,718
Cash Equivalents	7,223,665	-	-	7,223,665

The Level 3 assets at December 31, 2022 were comprised of a purchase of $587,316 and gains of $22,629 totaling $609,945. There were no Level 3 assets at December 31, 2021. The Company does not have any liabilities measured at fair value at December 31, 2022 and 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	Not Practicable (Carrying Value)
Bonds	$ 1,256,802,263	$ 1,417,918,972	$ 2,699,313	$ 1,254,102,950	$ -	$ -
Common Stock	29,754,288	29,754,288	29,144,343	-	609,945	-
Mortgage Loans	109,984,934	109,984,934	-	-	-	109,984,934
Cash Equivalents	2,334,054	2,334,054	2,334,054	-	-	-

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	Not Practicable (Carrying Value)
Bonds	$ 1,568,261,479	$ 1,404,584,233	$ 2,816,595	$ 1,564,944,884	$ 500,000	$ -
Common Stock	37,150,718	37,150,718	37,150,718	-	-	-
Mortgage Loans	103,429,238	103,429,238	-	-	-	103,429,238
Cash Equivalents	7,223,665	7,223,665	7,223,665	-	-	-

It was not practicable to determine fair value of these mortgage loans because a quoted market price was not available and the cost of obtaining independent appraisals would be excessive. As of December 31, 2022 and 2021, the carrying value of the mortgage loans was $109,984,934 and $103,429,238, respectively.

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

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes.
Common Stock: Comprised of actively traded exchange listed mutual funds and common stocks.
Cash Equivalents: Comprised of money market securities.

Level 2 Measurements

Bonds: Comprised of U.S. Government, municipal, and corporate securities.

Level 3 Measurements

Bonds: Comprised of other loan-backed securities.
Common Stock: Comprised of industrial and miscellaneous unaffiliated other common stock.

6. Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

Annuity actuarial reserves and deposit liabilities, by withdrawal characteristics, as of December 31 are as follows:

	Individual Annuities			
	2022		2021	
	General Account	Percent of Total	General Account	Percent of Total
Subject to Discretionary Withdrawal:				
With Market Value Adjustment	$ 128,529,191	41.7%	$ 138,923,218	43.7%
At Book Value Less Current Surrender Charge of 5% or More	4,736,127	1.5%	4,350,437	1.4%
At Fair Value	173,981	0.1%	178,201	0.1%
Total With Market Value Adjustment or at Fair Value	133,439,299	43.3%	143,451,856	46.6%
At Book Value Without Adjustment	168,959,010	54.9%	168,555,563	53.1%
Not Subject to Discretionary Withdrawal	5,544,216	1.8%	5,738,033	1.7%
Total Gross	307,942,525	100.0%	317,745,452	100.0%
Reinsurance Ceded	(43,496)		(44,550)	
Total Net	$ 307,899,029		$ 317,700,902	

	Group Annuities			
	2022		2021	
	General Account	Percent of Total	General Account	Percent of Total
Subject to Discretionary Withdrawal:				
With Market Value Adjustment	$ -	0.0%	$ -	0.0%
At Book Value Less Current Surrender Charge of 5% or More	6,639,221	15.0%	6,265,609	14.1%
At Fair Value	-	0.0%	-	0.0%
Total With Market Value Adjustment or at Fair Value	6,639,221	15.0%	6,265,609	14.1%
At Book Value Without Adjustment	4,141,121	9.3%	4,098,554	9.2%
Not Subject to Discretionary Withdrawal	33,588,792	75.7%	33,993,348	76.6%
Total Gross	44,369,134	100.0%	44,357,511	100.0%
Reinsurance Ceded	-		-	
Total Net	$ 44,369,134		$ 44,357,511	

	Deposit-Type Contracts			
	2022		2021	
	General Account	Percent of Total	General Account	Percent of Total
Subject to Discretionary Withdrawal:				
With Market Value Adjustment	$ -	0.0%	$ -	0.0%
At Book Value Less Current Surrender Charge of 5% or More	-	0.0%	-	0.0%
At Fair Value	-	0.0%	-	0.0%
Total With Market Value Adjustment or at Fair Value	-	0.0%	-	0.0%
At Book Value Without Adjustment	17,483,406	38.9%	18,964,675	29.4%
Not Subject to Discretionary Withdrawal	27,512,465	61.1%	45,459,096	70.6%
Total Gross	44,995,871	100.0%	64,423,771	100.0%
Reinsurance Ceded	-		-	
Total Net	$ 44,995,871		$ 64,423,771	

In 2022 and 2021, the Company reported $27,512,465 and $45,459,096, respectively, in the annuity actuarial reserves and deposit liabilities related to the deposit administration contracts for the Farmers Automobile Insurance Association Retirement Plan and Post-Retirement Plan of which the Company is a participant.

7. Analysis of Life Actuarial Reserves by Withdrawal Characteristics

Life actuarial reserves, by withdrawal characteristics, as of December 31, 2022 are as follows:

	2022		
	General Account		
	Account Value	Cash Value	Reserve
Subject to Discretionary Withdrawal, Surrender Values, or Policy Loans:			
Universal Life	$ 294,155,417	$ 266,122,477	$ 277,288,054
Universal Life with Secondary Guarantees	36,632,040	33,731,840	51,897,168
Other Permanent Cash Value Life Insurance	377,637,887	377,637,887	495,692,122
Miscellaneous Reserves	-	-	3,063,211
Not Subject to Discretionary Withdrawal or No Cash Values:			
Term Policies Without Cash Value	-	-	185,021,494
Accidental Death Benefits	-	-	88,773
Disability - Active Lives	-	-	1,650,946
Disability - Disabled Lives	-	-	364,096
Miscellaneous Reserves	-	-	3,857,563
Total Gross	708,425,344	677,492,204	1,018,923,427
Reinsurance Ceded	-	-	19,894,053
Total Net	$ 708,425,344	$ 677,492,204	$ 999,029,374

Not included in the above table are reserves of $14,869,543 for Credit Life.

Life actuarial reserves, by withdrawal characteristics, as of December 31, 2021 are as follows:

	2021		
	General Account		
	Account Value	Cash Value	Reserve
Subject to Discretionary Withdrawal, Surrender Values, or Policy Loans:			
Universal Life	$ 283,334,692	$ 256,293,834	$ 271,277,142
Universal Life with Secondary Guarantees	34,835,051	31,279,727	48,339,137
Other Permanent Cash Value Life Insurance	350,040,082	350,040,082	461,162,733
Miscellaneous Reserves	-	-	2,780,411
Not Subject to Discretionary Withdrawal or No Cash Values:			
Term Policies Without Cash Value	-	-	176,754,460
Accidental Death Benefits	-	-	90,000
Disability - Active Lives	-	-	1,525,380
Disability - Disabled Lives	-	-	354,121
Miscellaneous Reserves	-	-	3,253,848
Total Gross	668,209,825	637,613,643	965,537,232
Reinsurance Ceded	-	-	20,124,146
Total Net	$ 668,209,825	$ 637,613,643	$ 945,413,086

Not included in the above table are reserves of $15,494,406 for Credit Life.

8. Life and Health Reserves

A. Life Contracts and Deposit-Type Contracts

The Company waives deduction of deferred fractional premiums upon death of an insured and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves. Policies subject to an extra premium because the insured is placed in a special rating class are valued as follows:

Premium-Paying Policies

Extra premiums are charged for all substandard lives plus the gross premium for the insured’s age. Mean reserves are determined by computing the regular mean reserve for the plan at the insured’s age holding in addition one-half (1/2) of the extra premium charge for the year.

Paid-Up Policies

For whole life policies that are known to have been based on a substandard mortality table, the reserves are based on the same substandard table. As of December 31, 2022 and 2021, the Company had $1,075,595,719 and $837,496,104, respectively, insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of Illinois. Deficiency reserves to cover the difference between gross and net premiums totaled $6,920,774 and $6,034,259 and at December 31, 2022 and 2021, respectively. The insurance amount does not include insurance on policies for which deficiency reserves are either exempted or calculated to be zero on a seriatim basis.

Tabular interest, tabular less actual reserve released, and tabular cost have been determined by formulas used in accordance with the Statutory Accounting Practices. Tabular interest on deposit funds not involving life contingencies are computed based on the interest rate actually credited to the funds using interest rates as approved by the Board of Directors.

B. Liability for Health Claim Reserves

Activity in the claim reserves is summarized as follows:

	2022	2021
Balance at January 1	$ 8,225,565	$ 9,965,202
Less Reinsurance Recoverables	67,754	75,294
Net Balance at January 1	8,157,811	9,889,908
Incurred Related to:		
Current Year	35,674,480	33,749,305
Prior Years	(1,673,575)	(3,097,463)
Total Incurred	34,000,905	30,651,842
Paid Related to:		
Current Year	29,674,574	27,694,914
Prior Years	4,711,779	4,689,025
Total Paid	34,386,353	32,383,939
Net Balance at December 31	7,772,363	8,157,811
Plus Reinsurance Recoverables	43,078	67,754
Balance at December 31	$ 7,815,441	$ 8,225,565

Health claim reserves of $3,621,728 and $4,383,556 and health contract claims of $4,150,635 and $3,774,257 as of December 31, 2022 and 2021, respectively, are included in the previous table and their respective liabilities in the balance sheet.

As a result of actual claim payments varying from previous estimates of insured events and subsequent reserve changes, the provision for claim benefits decreased by $1,673,575 and $3,097,463 in 2022 and 2021, respectively.

C. Premium and Annuity Considerations Deferred

Deferred life insurance premiums and annuity considerations as of December 31 are as follows:

	2022		2021	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary New Business	$ 1,902,997	$ 717,038	$ 1,993,465	$ 773,656
Ordinary Renewal	16,231,677	24,728,015	15,314,350	24,067,524
Group Life	578,922	435,126	591,414	390,274
Total	$ 18,713,596	$ 25,880,179	$ 17,899,229	$ 25,231,454

9. Federal Income Taxes

The Company is taxed as a life insurance company on the basis of combined net investment income, capital gains, and underwriting income. 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	Change
Computed Expected Federal Income Tax Expense	$ (1,212,518)	$ (655,860)	$ (556,658)
Increase (Decrease) in Taxes Resulting from:			
Statutory Reserves Versus Tax Reserves	555,030	1,779,711	(1,224,681)
Amortization of IMR	(635,518)	(679,984)	44,466
Deferred Acquisition Costs	1,105,623	1,084,554	21,069
Defined Benefit and Post-Retirement	(238,988)	(286,349)	47,361
Prior Year Under Accrual	3,167	709,490	(706,323)
Net Operating Loss Carryforward	453,209	-	453,209
All Others	(188,018)	224,657	(412,675)
Federal Income Tax Expense (Benefit)	(158,013)	2,176,219	(2,334,232)
Tax on Capital Gains	161,180	1,375,852	(1,214,672)
Taxes Incurred	$ 3,167	$ 3,552,071	$ (3,548,904)

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	$24,370,651	$ 17,016	$ 24,387,667
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	24,370,651	17,016	24,387,667
Deferred Tax Assets Non-Admitted	12,133,121	-	12,133,121
Subtotal Net Admitted Deferred Tax Asset	12,237,530	17,016	12,254,546
Deferred Tax Liabilities	2,957,746	1,447,647	4,405,393
Net Admitted Deferred Tax Assets	$ 9,279,784	$ (1,430,631)	$ 7,849,153
	2021		
	Ordinary	**Capital**	**Total**
Gross Deferred Tax Assets	$23,222,048	$ -	$ 23,222,048
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	23,222,048	-	23,222,048
Deferred Tax Assets Non-Admitted	9,541,230	-	9,541,230
Subtotal Net Admitted Deferred Tax Asset	13,680,818	-	13,680,818
Deferred Tax Liabilities	2,697,620	3,503,255	6,200,875
Net Admitted Deferred Tax Assets	$10,983,198	$ (3,503,255)	$ 7,479,943
	Change		
	Ordinary	**Capital**	**Total**
Gross Deferred Tax Assets	$ 1,148,603	$ 17,016	$ 1,165,619
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	1,148,603	17,016	1,165,619
Deferred Tax Assets Non-Admitted	2,591,891	-	2,591,891
Subtotal Net Admitted Deferred Tax Asset	(1,443,288)	17,016	(1,426,272)
Deferred Tax Liabilities	260,126	(2,055,608)	(1,795,482)
Net Admitted Deferred Tax Assets	$ (1,703,414)	$ 2,072,624	$ 369,210

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	7,849,153	-	7,849,153
11c. Offset of Deferred Tax Liabilities	4,405,393	-	4,405,393
Total Admitted Deferred Tax Assets	$ 12,254,546	$ -	$ 12,254,546

	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	7,479,943	-	7,479,943
11c. Offset of Deferred Tax Liabilities	6,200,875	-	6,200,875
Total Admitted Deferred Tax Assets	$ 13,680,818	$ -	$ 13,680,818

	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	369,210	-	369,210
11c. Offset of Deferred Tax Liabilities	(1,795,482)	-	(1,795,482)
Total Admitted Deferred Tax Assets	$ (1,426,272)	$ -	$ (1,426,272)

	2022	**2021**
Ratio Used to Determine Recovery Period and Threshold Limitation Amount Under Paragraph 11b	615%	717%
Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation Under Paragraph 11b	$114,208,842	$125,533,700

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

	2022	2021	Change
Current Income Tax:			
Federal	$ -	$ 2,842,581	$ (2,842,581)
Prior Year Under (Over) Accrual			
of Tax Reserves	3,167	709,490	(706,323)
Federal Income Tax Incurred	$ 3,167	$ 3,552,071	$ (3,548,904)
Deferred Tax Assets:			
Ordinary:			
Stat vs. Tax Reserves	$ 8,523,576	$ 8,421,726	$ 101,850
DAC	10,460,437	9,354,814	1,105,623
Discounting of A&H Claim Reserves	53	52	1
Unearned Premium	446,600	452,525	(5,925)
Pension Accrual	3,113	794,678	(791,565)
Post-Retirement Accrual	1,416,585	1,583,551	(166,966)
Deferred Compensation	51,410	53,511	(2,101)
Directors Pension Liability	241,371	247,741	(6,370)
Non-Admitted Assets	2,694,937	2,260,506	434,431
Net Operation Loss Carryforward	453,209	-	453,209
Other	79,360	52,944	26,416
Total Ordinary Deferred Tax Assets	24,370,651	23,222,048	1,148,603
Statutory Valuation Allowance			
Adjustment	-	-	-
Non-Admitted	12,133,121	9,541,230	2,591,891
Admitted Ordinary Deferred Tax Assets	12,237,530	13,680,818	(1,443,288)
Capital:			
Other	17,016	-	17,016
Total Capital Deferred Tax Assets	17,016	-	17,016
Statutory Valuation Allowance			
Adjustment	-	-	-
Non-Admitted	-	-	-
Admitted Capital Deferred Tax Assets	17,016	-	17,016
Admitted Deferred Tax Assets	$ 12,254,546	$ 13,680,818	$ (1,426,272)
Deferred Tax Liabilities:			
Ordinary:			
Accrual of Discount	$ 254,164	$ 231,238	$ 22,926
PIVOT & LiFT & PATH Depreciation	511,971	275,027	236,944
Pension Benefits	662,664	376,756	285,908
Post Retirement Benefits	160,533	-	160,533
Tax Cuts and Jobs Act Reserve Adjustments	1,359,539	1,812,719	(453,180)
Other	8,875	1,880	6,995
Total Ordinary Deferred Tax Liabilities	2,957,746	2,697,620	260,126
Capital:			
Unrealized Gains Common Stock	$ 1,447,647	$ 3,503,255	$ (2,055,608)
Total Capital Deferred Tax Liabilities	1,447,647	3,503,255	(2,055,608)
Total Deferred Tax Liabilities	$ 4,405,393	$ 6,200,875	$ (1,795,482)
Net Deferred Tax Assets	$ 7,849,153	$ 7,479,943	$ 369,210

As of December 31, 2022 and 2021, the Company had a net operating loss carry-forward of $2,158,140 and $0, respectively. There were no capital loss carry-forwards available on December 31, 2022 and 2021.

Federal income tax returns of the Company have been examined by the Internal Revenue Service for all years through 2001. 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. As of December 31, 2022, the Company has not identified any material loss contingencies arising from uncertain tax positions. The Company has no tax-planning strategies that had a material impact on adjusted gross and net admitted deferred tax assets.

10. Capital and Surplus and Dividends

The Company is required to maintain minimum surplus established by the Department of Insurance. The Company is also subject to Risk-Based Capital (RBC) requirements promulgated by the NAIC and adopted by the Department. The RBC standards establish minimum surplus 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 increased (reduced) by the following cumulative amounts at December 31, 2022 and 2021, respectively:

	2022	2021
Net Unrealized Capital Gains	$ 6,874,581	$ 16,571,194
Non-Admitted Assets	(24,920,605)	(20,235,285)
Asset Valuation Reserve	(14,700,451)	(18,445,787)
Provision for Reinsurance	(45,550)	(70,261)

Non-cumulative dividends are paid quarterly as determined by the Board of Directors. The maximum amount of dividends which can be paid by a State of Illinois domiciled insurance company to shareholders without prior approval of the Director of Insurance is limited to the greater of 10 percent of statutory surplus or the net income of the company for the preceding year. Statutory surplus at December 31, 2022, was $93,201,002. The maximum dividend payout which may be made without prior approval in 2023 is $9,320,100.

INNER CIRCLE CLUB MEMBERS

TOP PRODUCERS FOR 2022

Christopher Anderson
A.W. Anderson Agency, Inc.
Loves Park, Illinois

Nathan Ashby*
FSB Insurance Agency
Harrisburg, Illinois

Chad Bailey
Jennings Insurance Agency, Inc
Argos, Indiana

Katherine Becht
Kochert Insurance Agency
Lanesville, Indiana

Joseph Beck
V.S. Beck Insurance Agency, Inc.
Archbold, Ohio

Bryce Bilyeu
Troxell
Springfield, Illinois

Dale Blankenship*
Forsyth Insurance Group, Inc.
Springfield, Illinois

Mark Bodey
Bodey Insurance Agency, Inc.
Castalia, Ohio

Klayton Booth
Central Financial Group, L.C.
Johnston, Iowa

Jessica Booton*
Doran Insurance & Services, Inc.
Stronghurst, Illinois

Jeffery Borntreger
Dansig, Inc.
Decatur, Illinois

Darryl Bouxsein*
Comprehensive Insurance Services, Inc.
Eureka, Illinois

Anthony Burkhart*
Burkhart Insurance Agency, Inc.
Vincennes, Indiana

Terry Busch*
Busch Insurance Agency, Inc.
Platteville, Wisconsin

Greg Cannedy*
Prairie State Insurance Agency, Inc.
Springfield, Illinois

Randall Carey*
Carey Insurance and Financial Services, LLC
Grover Hill, Ohio

John Caspary
Loman-Ray Insurance Group, LLC
Clifton, Illinois

Patrick Click
MRMC Insurance, Ltd.
Vandalia, Illinois

Debra Conway
Forward Insurance
Thorp, Wisconsin

Jay Cox
Schatz Insurance Agency, Inc.
Huntingburg, Indiana

Al Czerniewski, Jr.
Czerniewski Insurance Agency, LLC
Crivitz, Wisconsin

Trisha Dagenhard*
Finnicum Hometown Agency, LLC
Magnolia, Ohio

Geoffrey Desmond
Loman-Ray Insurance Group, LLC
Broadlands, Illinois

Andrew Drewes*
Kinmundy Insurance Service
Kinmundy, Illinois

Daniel Eaton
Eaton & Schultz Insurance Group, Inc.
Wilmington, Illinois

Michael Edwards*
Hugh F. Miller Insurance Agency, Inc.
Rock Falls, Illinois

Adam Evrard
Home Insurance Agency
Tell City, Indiana

Paxton Farmer
First Gabrielson Agency
Clear Lake, Iowa

Randell Fergurson
Fergurson Insurance Agency, Inc.
Greenfield, Illinois

Michael George
Preferred Insurance Network, LLC
Perrysburg, Ohio

Kane Gillette
Hugh F. Miller Insurance Agency, Inc.
Rock Falls, Illinois

Zachary Giovanine
Hartauer Insurance Agency, Inc.
La Salle, Illinois

Anthony Goebel
Northeast Insurance Center, LLC
Fond du Lac, Wisconsin

Adam Grimes*
Loman-Ray Insurance Group, LLC
Hoopeston, Illinois

Brian Hamilton
Hamilton Insurance Group, Inc.
Mansfield, Ohio

Daniel Harnish*
Marvin F. Uecker Agency
Lena, Illinois

Bart Hartauer*
Hartauer Insurance Agency, Inc.
La Salle, Illinois

Rodney Henry*
Taylor, Dodd & Wood Insurance Agency, Inc.
Anna, Illinois

Douglas Hoch*
Hoch Insurance Agency, Inc.
Fort Wayne, Indiana

Neal Hodges*
Hartauer Insurance Agency, Inc.
La Salle, Illinois

Chad Hovey
Henderson-Weir Agency, Inc.
Mackinaw, Illinois

Linda Huber
Loman-Ray Insurance Group, LLC
Monticello, Illinois

Timothy Hughes*
Grojean Insurance Agency, Inc.
Jacksonville, Illinois

Jeffrey Hull*
Guardian Insurance Group
Peoria, Arizona

Daniel Imming
Imming Insurance Agency
Carlyle, Illinois

Beau Ingledue
Purdum Gray Ingledue Beck, Inc.
Macomb, Illinois

Brenda James*
Gredy Insurance
Bloomington, Indiana

Allen Jameson
Allen A. Jameson
Pittsburg, Kansas

Nathan Kaegy
Frank Snyder Financial
Greenville, Illinois

Christopher Kaufman
Grieder Financial Services, Inc.
Carlock, Illinois

Scott Kibler
The Hillard Agency, Inc.
Tuscola, Illinois

Travis Koenig
Everything Insurance Group, LLC
Tucson, Arizona

Tyler Kroeger
Burkhart Insurance Agency, Inc.
Vincennes, Indiana

Jonathan Lacine
Lighthouse Insurance Agency, Inc.
Tuscola, Illinois

Chester Lawrence*
Lawrence & Bean Insurance Agency, Inc.
Vienna, Illinois

Christopher Lawrence
Lawrence & Bean Insurance Agency, Inc.
Vienna, Illinois

Jay LeFevre*
First Gabrielson Agency
Clear Lake, Iowa

Christopher Leming
Troxell
Springfield, Illinois

Steven Lendosky*
Brechler-Lendosky Group, LLC
Fennimore, Wisconsin

Wendee Linzee
Linzee Insurance & Real Estate Agency, Inc.
Du Quoin, Illinois

Lisa Lohmeyer
Frisbie & Lohmeyer, Inc.
Woodstock, Illinois

Brian Loman*
Loman-Ray Insurance Group, LLC
Broadlands, Illinois

Steven Lyons*
Loman-Ray Insurance Group, LLC
Broadlands, Illinois

Christopher Marks
Roberts Insurance Agency
Marion, Illinois

Casey Martin*
Dempster Insurance Agency, LLC
Peoria, Illinois

Nick Miller*
BWO/N.E.W. Insurance & Financial Services
Brillion, Wisconsin

James Moore
Insurance Providers Group-Danville II, LLC
Danville, Illinois

Mark Neighbor*
Neighbor Insurance Services, Inc.
Central City, Iowa

John Noble*
John R. Noble & Associates, LLC
Reynoldsburg, Ohio

Victoria Noble
John R. Noble & Associates, LLC
Reynoldsburg, Ohio

Brock Norton
Central Financial Group, L.C.
Johnston, Iowa

Jeffrey Oetting
Bob Oetting and Associates, LLC
Charleston, Illinois

Jim Pauley*
Pufalt-Pauley Insurance Agency, Inc.
Belleville, Illinois

Jay Peterson*
Peterson Insurance Services, Inc.
Clinton, Illinois

William Preston
Preston Insurance Agency, Inc.
Peoria, Illinois

Corey Ramsey*
Ramsey Financial Services, Inc.
Bowen, Illinois

Ryan Ramsey*
Ramsey Financial Services, Inc.
Bowen, Illinois

Brent Raymond
Raymond & Spence Insurance Group, LLC
La Porte, Indiana

Rick Rhodes*
Loman-Ray Insurance Group, LLC
Monticello, Illinois

Brittany Richardson
Marengo Insurance Agency, LLC
Marengo, Illinois

Richard Runyon, Jr.*
Runyon Insurance Agency, Inc.
Olney, Illinois

Chad Schmitt*
Spectrum Insurance Group - Smith & Hatch Insurance
Eden, Wisconsin

James Schulze*
Prairieland Insurance Group
Champaign, Illinois

John Schweighart*
The Hillard Agency, Inc.
Tuscola, Illinois

Bradon Smith
Loman-Ray Insurance Group, LLC
Tolono, Illinois

Matt Snavely
Kesner Insurance Agency, Inc.
Lima, Ohio

George Soller*
Soller Insurance Agency, Inc.
Columbus, Ohio

Daniel Springer*
Springer-Springer Insurance
Orleans, Indiana

Joseph Springmeyer
Springmeyer Family Insurance, Inc.
Greensburg, Indiana

Robin Stamps*
Community-Shirley Insurance Agency, LLC
Dayton, Ohio

Greg Steffen*
Compass Insurance Partners
Le Roy, Illinois

John Tassone*
Thornton Powell
Oak Forest, Illinois

Christopher Tingley*
Tingley Insurance Agency, Inc.
Effingham, Illinois

Gregory Toensing
Insurance Planning & Management Consultants, Inc.
Okawville, Illinois

Jay Tribbett
Tribbett-Rich Insurance Group, LLC
Lebanon, Indiana

Bradley Van Bruggen
Van Bruggen-Wesselink Insurance Agency
Sioux Center, Iowa

Guy Van Dyn Hoven*
Van Dyn Hoven Insurance Agency, Inc.
Little Chute, Wisconsin

Craig Walkenbach
Innovative Insurance Solutions, LLC
Fulton, Missouri

Justin Wegener
FNIC
Plano, Illinois

Pete Wessler*
Wessler Bros. Agency, Inc.
Arenzville, Illinois

Andrea Wilcox
Central Financial Group, L.C.
Johnston, Iowa

Deborah Willis
Willis Insurance Agency, Inc.
Bellevue, Ohio

Donald Yewell
Yewell Insurance Agency, Inc.
Carterville, Illinois

Bruce Young
Church Insurance Agency
Paris, Illinois

William Zerinskas*
Thornton Powell
Oak Forest, Illinois

*****_Lifetime members_

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Senior Vice President

TYLER D. PETERSEN,
Senior Vice President -
General Counsel & Secretary

GREGORY C. BEE,
Vice President -
Chief Risk Officer

AMY L. BINGHAM,
Vice President -
Chief Information Officer

DAVID M. COUGHLIN,
Vice President -
Sales and Marketing

AMY M. DARLING,
Vice President -
Life Claims

PHILLIP L. EVANS,
Vice President -
Administrative Services

ERIC M. SHANE,
Vice President -
Life Underwriting

DIRECTORS

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Chairman of the Board, President, and Chief Executive Officer

CRAIG W. CONCKLIN,
Director and Vice Chairman of the Board

ANTHONY S. BURKHART,
Director

BRIAN R. DENNISON,
Director

JAMES W. HEFTI,
Director

JOHN S. HELLER,
Director

THOMAS C. HORNSTEIN,
Director

BRIAN K. LEE,
Director

SHERI N. ROSER,
Director

OUR MISSION

Pekin Insurance provides financial protection and peace of mind for our customers. We deliver innovation and excellence in our products and services. In all we do, we are dedicated to going *Beyond the expected.®*

OUR VISION

Our vision is to set the standard of excellence among insurance providers by being innovative, being financially strong, and exceeding customer expectations. We will attract and retain the very best employees and agents to help us achieve this goal.