



PEKIN INSURANCE®

The Journey from Challenge to Resurgence

2022 - 2025

Between 2022 and 2023, Pekin Insurance faced some of the most turbulent years in its history. A combination of severe weather events, overexposure in property lines, and operational inefficiencies placed significant financial pressure on the organization. Yet, through disciplined leadership, strategic restructuring, and decisive action, Pekin Insurance was not only able to stabilize operations but achieved its strongest financial performance in two decades by 2024.

This article chronicles that journey, from crisis to resurgence, illustrating how a clear vision, strong execution, and courageous decisions transformed Pekin Insurance into a leaner, more profitable, and more resilient organization.

The Setup ► FACING THE STORM

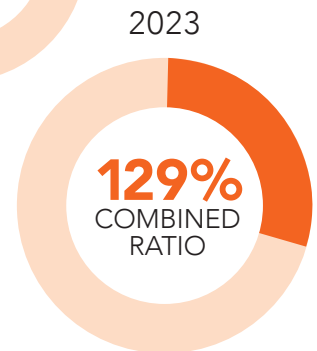
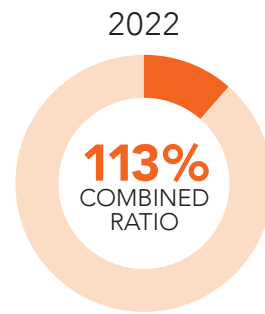
The year 2022 marked the onset of serious headwinds. The Midwest experienced a surge in severe convective storms, driving unprecedented property losses across the region. Pekin Insurance, with its strong footprint in these storm-prone areas, saw its Combined Ratio surge to 113% in 2022 and worsen to 129% in 2023, clear indicators of unsustainable underwriting losses.

Compounding these external pressures were internal challenges. Pekin's expense ratio in both 2021 and 2022 stood at 35%, inflated by significant technology investments and a workforce structure that no longer matched the company's evolving business needs.. The resulting financial impact was substantial:

\$64 million surplus loss in 2022

\$107 million surplus loss in 2023

In early 2023, leadership projected that if corrective actions weren't taken, the company's surplus was in jeopardy to drop by up to 35% by the end of 2024. The need for a strategic overhaul was both urgent and undeniable.



“Our resurgence was not accidental. It was the result of courageous executive leadership willing to make difficult decisions, stay disciplined through uncertainty, and remain focused on long-term financial strength. By aligning strategy, accountability, and execution, we transformed our most challenging year in a century into **one of the strongest financial performances we've seen, in the past two decades.**”

– Dan Connell, Chairman of the Board, President, & CEO

Decisive Actions ► DEVELOPING AND IMPLEMENTING THE PLAN

Pekin Insurance's leadership began crafting a disciplined recovery plan. The goal was to restore financial health while maintaining the trust of agents, policyholders, and employees.

The recovery strategy prioritized trimming the least profitable segments of the portfolio, particularly in midwestern property lines that had proven to be volatile. This analytical approach ensured that data, not sentiment, guided changes.

The turnaround plan was not theoretical; it was bold, immediate, and decisive. Implementation began in Q4 of 2023, with actions spanning product management, operations, and expense control.

“The turnaround restored underwriting discipline, protected surplus, and rebuilt long-term earning power. Decisions focused on improving portfolio quality, reducing volatility, and structurally lowering expenses. The result wasn't just a return to profitability in 2024; it was the reestablishment of a stronger capital foundation and a more predictable earnings profile that positions Pekin Insurance to grow responsibly and sustainably moving forward.”

– Ryan Hanson, SVP, CFO, & Treasurer

**1. Strategic
Portfolio
Adjustments**

**2. Expense
Management
Initiatives**

Strategic Portfolio Adjustments

- **Personal Lines New Business Moratorium:** Pekin Insurance leadership made the unprecedented decision to temporarily halt new personal lines business across all states.
- **Exit from Iowa Personal Lines:** The company initiated a strategic withdrawal from markets showing consistent unprofitability. This included the entire state of Iowa for Personal Lines risks.
- **Nonrenewal of Monoline Policies:** Stand-alone homeowners policies were found to carry disproportionate risk, and so a phase-out of monoline coverage options was initiated.
- **Deductible Increases:** Analysis also showed disproportionate losses on lower-deductible policies; higher deductibles were implemented for homeowners across the Midwest as well as the implementation of a limited loss settlement schedule for roof claims.
- **Habitation Exit:** Leaders took action to temporarily discontinue writing new habitation business in western states and to exit existing habitation risks entirely in the Midwest.
- **Agency Force Rationalization:** The company took difficult but decisive action to reduce approximately 10% of the agency network to align with new business focus areas.

Expense Management Initiatives

To support underwriting reforms, Pekin Insurance launched a series of cost-containment measures aimed at lowering expenses, which achieved a 24% reduction in overall expenses in one year.

24%
REDUCTION IN
OVERALL EXPENSES



Key initiatives included:

- Rightsizing staffing levels to align resources with strategic needs.
- Decommissioning legacy systems to eliminate redundant costs and streamline operations.
- Reducing agency compensation, particularly for homeowners and commercial property lines in high-risk states.
- Restructure banking fees to offset transaction costs.
- Creating a vendor procurement department to centralize vendor contract negotiations.

These changes required courage, transparency, and commitment. Communication was a critical component both internally and externally to ensure alignment and trust during a time of transformation.

Keys to Execution

The turnaround's success can be traced to three main pillars: communication, diligence, and focus.

Comprehensive Communication

Pekin Insurance developed and executed a robust internal and external communication plan. This transparency helped agents and employees understand the rationale behind each decision, maintaining confidence even as difficult measures were implemented.

Relentless Diligence

Execution required operational discipline. Every department was tasked with clearly defined objectives tied directly to the broader financial goals. Progress was closely monitored to ensure accountability throughout the organization.

Strategic Focus

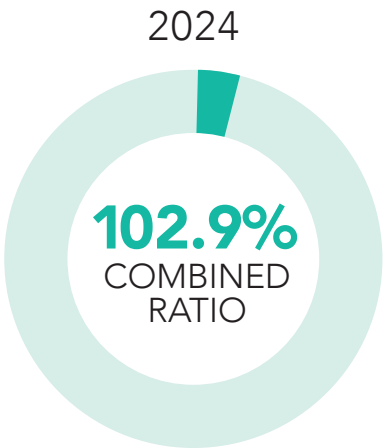
Leadership resisted the temptation to reverse course at the first signs of discomfort. Instead, they stayed committed to the plan, trusting the process and maintaining focus on long-term sustainability.

The Outcome ► A REMARKABLE TURNAROUND

By year end 2024, Pekin Insurance achieved its **best financial results in two decades** with \$44 million in net income and a \$55 million surplus increase. This demonstrated not just a rebound, but a renewal. The combined ratio of 102.9% represented a remarkable turnaround from years prior. And these numbers continued into 2025 as we further stabilized our financial results based on our new foundation of business practices and financial strength.

A critical insight emerged when leadership modeled alternative outcomes. Had the company not acted decisively, 2024 could have brought an additional \$85 million in storm-related losses, further worsening the combined ratio by over 10%. The turnaround, therefore, not only improved financials, but also likely prevented further crisis.

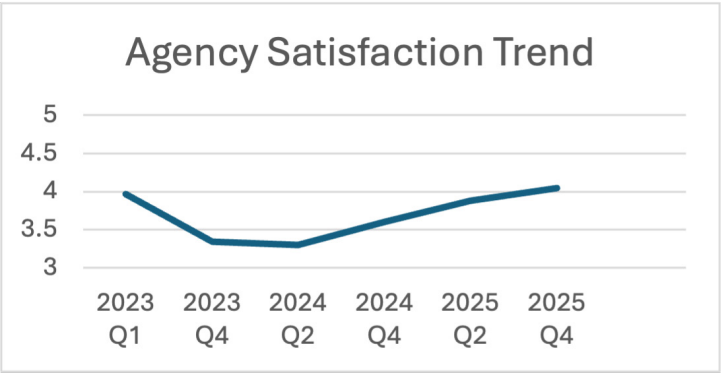
In October 2025, rating agency **AM Best changed Pekin’s outlook from Negative to Stable**, recognizing the company’s strategic progress and restored financial strength. This quick recovery was the ultimate validation of the team’s effort.



Rebuilding Trust ► AGENCY & EMPLOYEE SENTIMENT

The transformation wasn’t only financial; it was relational. After an understandable dip in agent satisfaction during the restructuring, clearer and more consistent communication helped reestablish confidence and provided the context agents needed to navigate the changes underway.

As transparency increased, Pekin Insurance also strengthened its operational and systems backbone, making service and underwriting interactions more reliable and day-to-day workflows more predictable. Maturing lead measures supported faster adjustments when challenges surfaced, contributing to the steady rise in agent satisfaction throughout 2024 and 2025 (see chart). The upward trend reflects a renewed foundation of trust shaped by improved clarity, stronger performance, and a sustained commitment to making it easier for agents to do business with Pekin Insurance.



Additionally, significant organizational changes tested the company from the inside out. The initial restructuring phase challenged internal confidence, but as underwriting discipline and operational focus took hold, clarity and stability began to return. Employee engagement strengthened as a result. In 2025, favorability reached 82% while annualized turnover declined to 6.87 percent. These results reflect renewed confidence and steadiness across the organization, supported by consistent leadership and a clear path forward, reinforcing that the company’s resurgence is structural and positioned for sustained growth.

Learnings and Legacy

Looking back, Pekin Insurance's resurgence provides valuable lessons for any organization facing disruption and financial strain:

1

Courageous Decision Making Matters

Sustainable change often requires uncomfortable choices. By prioritizing long-term stability over short-term popularity, Pekin Insurance laid the groundwork for recovery.

2

Transparency Builds Trust

Clear, consistent communication with agents and employees allowed Pekin Insurance to maintain alignment even during the hardest transitions.

3

Focus Drives Results

Once the plan was set, the company stayed committed. Diligence and consistency proved more valuable than dramatic gestures.

4

Crisis Can Catalyze Renewal

The adversity of 2022–2023 forced innovation, accountability, and modernization, qualities that will serve Pekin Insurance well into the future.

Conclusion

The story of Pekin Insurance from 2022 to 2025 is one of resilience, discipline, and renewal. What began as a period of financial strain has evolved into a model of operational excellence and strategic clarity. Through courageous leadership and a relentless focus on execution, Pekin Insurance has emerged not just stronger, but smarter; now positioned for sustainable growth into the future across its property, casualty, and life insurance offerings.

As Pekin Insurance enters its next chapter, it does so with renewed confidence, a stable financial foundation, and the trust of its agents firmly restored.



*In many situations, a company will come up with a plan and not fully execute. Or fully execute but the plan will not work. **In this case, we developed a thoughtful plan, fully executed it, and it worked.** We couldn't be prouder of our team and their ability to band together to tackle this situation with swift and decisive actions*

– Joel Jackson, SVP & COO / P&C Companies

