
PEKIN
INSURANCE
INNOVATIVE

TO OUR SHAREHOLDERS

The operating results for 2023 and the financial statements for the year are included in this Annual Shareholder Report.

Net income for the year 2023 was $1.9 million, or $0.11 per share compared to a net loss of $4.7 million, or $0.28 per share, last year. Realized capital gains were $1.1 million, or $0.06 per share, compared to realized capital gains of $0.9 million, or $0.05 per share, last year.

Premium decreased $10.1 million this year. This decrease is attributable to our strategic decision to exit the credit insurance line of business at the end of 2022. Offsetting the decrease in premium is a corresponding decrease in expenses of $7.4 million in credit insurance compensation. Premium in our Ordinary life and Universal life lines was an additional offset to the decrease in credit premium. Ordinary life increased by 3.3 percent to $59.7 million. Universal life increased 2.6 percent to $27.4 million. In addition to increases in our life lines, our Individual annuities increased to $13.0 million.

Our investment income excluding capital gains increased to $69.7 million in 2023, or 8.2 percent from last year. This increase is due to higher yields earned on our bond portfolio compared to the prior year. Additionally, our bond portfolio is comprised of high quality holdings, of which 96.2 percent are investment grade.

As of December 31, 2023, assets were $1.7 billion. Book value increased during the year by $0.7 million from year end 2022 and stands at $115.9 million at December 31, 2023, reflecting our strong financial position. Book value per share was $6.79 at December 31, 2023, compared to $6.75 at December 31, 2022.

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

	2023	2022	CHANGE
Life Insurance in Force			
Ordinary	$20,375,985,000	$19,588,723,000	4.02%
Credit	459,463,000	739,681,000	-37.88%
Group	797,450,000	797,479,000	0.00%
Total Life Insurance in Force	21,632,898,000	21,125,883,000	2.40%
Assets	1,687,081,444	1,652,961,642	2.06%
Policy Reserves	1,396,668,035	1,385,861,006	0.78%
Premium Income	188,682,054	198,753,994	-5.07%
Payments to Policyholders and Beneficiaries	192,629,785	166,010,990	16.03%
Investment Income	69,688,528	64,427,089	8.17%
Net Rate of Return on Investments	4.36%	4.10%	6.33%
Net Income (Loss) Before Realized Capital Gains	865,087	(5,615,880)	115.15%
Net Income (Loss)	1,927,172	(4,742,680)	140.64%
Net Income (Loss) Before Realized Capital Gains Per Share	0.05	(0.33)	115.15%
Realized Capital Gains Per Share	0.06	0.05	20.00%
Net Income (Loss) Per Share	0.11	(0.28)	139.29%
Book Value Per Share	6.79	6.75	0.59%

Pekin Life Insurance Company

Premium Income By Product Line	2023			2022		
		Amount	% of Total		Amount	% of Total
Ordinary Life	$	87,097,840	46%	$	84,505,826	43%
Annuity		12,951,358	7%		8,911,307	4%
Pre-Need Life and Annuity		47,080,545	25%		49,041,481	25%
Group Life and Health		2,506,641	1%		2,551,687	1%
Group Annuity		21,099	0%		1,611,981	1%
Individual Health		39,555,159	21%		38,928,356	19%
Credit Life and Health		(530,588)	0%		13,203,356	7%
Total	$	188,682,054	100%	$	198,753,994	100%

FINANCIAL HIGHLIGHTS

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
12.36	12.42	12.38	12.70	12.65	12.56	12.13	5.55	11.78	11.52	Marketing Price Per Share
12.08	12.64	13.04	11.68	10.81	10.86	10.94	11.56	11.64	11.05	Premium Income Per Share
3.20	3.20	3.29	3.43	3.52	3.60	3.59	3.62	3.77	4.08	Investment Income Per Share
.27	(.10)	.09	.36	.09	.09	.10	(.31)	(.33)	.05	(A) (C) Earnings Per Share
.07	.03	(.15)	.07	.11	.00	(.03)	.09	.05	.06	(D) Realized Capital Gains (Losses) Per Share
.34	(.07)	(.06)	.43	.20	.09	.07	(.22)	(.28)	0.11	(A) (B) Earnings Per Share
.0500	.0400	.0100	.0000	.0300	.0100	.0100	.0200	.0000	.0000	Dividends Declared Per Share
7.05	7.04	7.30	7.48	7.57	7.37	7.14	7.15	6.75	6.79	(A) 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	(B) Common Shares Outstanding (000)
175	176	170	170	167	170	170	78	174	170	% Price to Book Value
36	-	-	30	63	140	173	-	-	105	Year End P/E Ratio
.40	.32	.08	-	.24	.08	.08	.36	-	-	Year End Dividend Yield (%)
120,333	120,157	124,564	127,625	129,198	125,850	121,798	122,042	115,201	115,888	Net Worth ($000)
4.2	-	-	5.8	2.3	1.0	0.8	-	-	1.7	% Profits Retained to Common Equity
14.5	-	-	-	14.9	11.7	14.4	-	-	-	% Cash Dividends to Net Profit

(A) Due to 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).

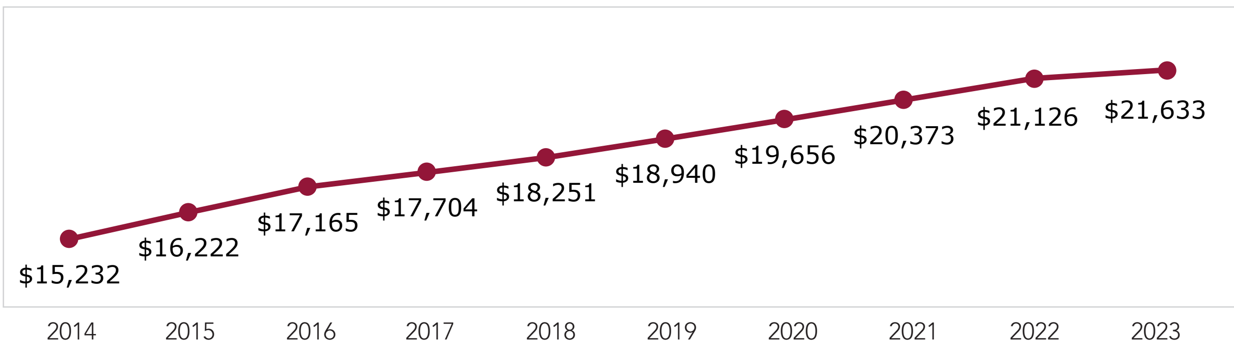
(C) Includes realized capital gains (losses).

(D) Excludes realized capital gains (losses).

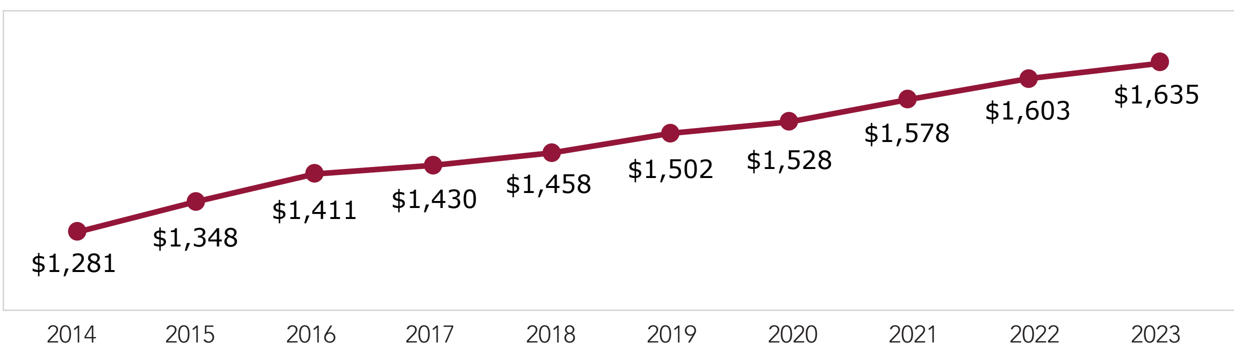
(E) Effective January 1, 2001, the statutory basis of accounting requires that unrealized capital losses on investments that are determined to be other than temporary declines in value must be reclassified to be realized capital losses. In 2001, these reclassified unrealized capital losses were reflected as a change in accounting adjusting unassigned surplus, rather than as a charge to earnings. In 2023, 2022, 2019 and 2016, a realized capital loss of $(0.006), $(0.005), $(0.002) and $(0.17), respectively, is considered to be an other than temporary decline in value and is charged against earnings.

PREMIUM INCOME (In Millions)

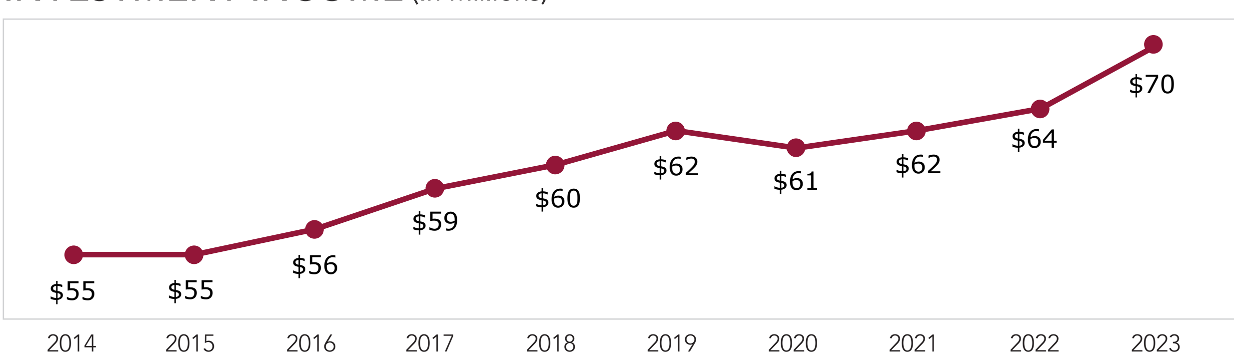
LIFE INSURANCE IN FORCE (In Millions)



CASH AND INVESTED ASSETS (In Millions)



INVESTMENT INCOME (In Millions)



STROHM BALLWEG

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, 2023 and 2022, 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 statutory financial position of the Company as of December 31, 2023 and 2022, 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, 2023 and 2022, 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 26, 2024

STATUTORY BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

	2023	2022
Admitted Assets:		
Bonds	$ 1,417,582,172	$ 1,417,918,972
Common Stocks	35,899,031	29,754,288
Mortgage Loans	114,123,346	109,984,934
Real Estate Occupied by the Company, Net of Depreciation	1,298,713	1,179,253
Cash, Cash Equivalents, and Short-Term Investments	11,816,831	4,188,582
Contract Loans	14,197,576	13,711,399
Receivables for Securities	120,875	112,447
Securities Lending Reinvested Collateral Assets	39,628,722	25,807,302
Total Cash and Invested Assets	1,634,667,266	1,602,657,177
Life and Health Premiums Due and Unpaid	73,133	73,457
Life Premiums Deferred	26,591,470	25,880,179
Investment Income Accrued	16,731,886	15,037,030
Amounts Recoverable from Reinsurers	313,815	281,855
Current Federal Income Tax Recoverable	1,233,114	1,182,791
Net Deferred Tax Asset	7,470,760	7,849,153
Total Admitted Assets	$ 1,687,081,444	$ 1,652,961,642
Liabilities:		
Aggregate Reserve for Contracts:		
Life	$ 1,061,602,479	$ 1,013,898,917
Annuity	320,372,408	352,268,163
Health	14,693,148	19,693,926
Total Aggregate Reserve for Contracts	1,396,668,035	1,385,861,006
Contract Claims:		
Life	14,023,327	15,707,515
Health	4,691,470	4,150,635
Total Contract Claims	18,714,797	19,858,150
Other Policy Liabilities:		
Premium Received in Advance	2,181,218	2,199,049
Policyholders' Dividends	10,991	11,390
Deposit Administration Contracts	37,806,941	27,512,465
Other Deposit-Type Contracts	16,227,140	17,483,406
Total Other Policy Liabilities	56,226,290	47,206,310
Interest Maintenance Reserve	11,384,851	18,965,892
Expenses and Taxes Accrued	5,550,950	5,420,662
Amounts Withheld or Retained	1,677,352	1,831,529
Asset Valuation Reserve	21,771,395	14,700,451
Due to Parent	2,937,218	3,901,215
Drafts Outstanding	4,864,888	4,431,628
Payable for Securities Lending	39,628,722	25,807,302
Pension Liability	708,978	14,824
Post-Retirement Liability	8,209,875	6,745,645
Other Liabilities	2,850,576	3,016,026
Total Liabilities	1,571,193,927	1,537,760,640
Policyholders' 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	97,257,121	96,570,606
Treasury Stock, Shares at Cost, 531,977 in 2023 and 2022	(4,269,604)	(4,269,604)
Total Policyholders' Surplus	115,887,517	115,201,002
Total Liabilities and Policyholders' Surplus	$ 1,687,081,444	$ 1,652,961,642

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

STATUTORY STATEMENTS OF OPERATIONS AND CHANGES IN POLICYHOLDERS' SURPLUS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Income:		
Life Premiums	$ 132,597,217	$ 139,525,319
Annuity Considerations	16,233,028	13,741,304
Health Premiums	39,851,809	45,487,371
Net Investment Income	69,688,528	64,427,089
Total Income	258,370,582	263,181,083
Deductions:		
Benefits to Policyholders and Beneficiaries:		
Life	94,580,280	95,666,507
Annuity	59,953,183	35,581,753
Health	38,096,322	34,762,730
Total Benefits to Policyholders and Beneficiaries	192,629,785	166,010,990
Changes to Policy Reserves:		
Life	47,703,561	52,991,425
Annuity	(31,895,758)	(9,790,250)
Health	(5,000,778)	(917,469)
Total Changes to Policy Reserves	10,807,025	42,283,706
Expenses:		
Commissions and Service Fees	16,600,428	24,088,255
General Insurance Expenses	32,228,403	32,586,049
Taxes, Licenses, and Fees	3,837,330	3,985,976
Total Expenses	52,666,161	60,660,280
Total Deductions	256,102,971	268,954,976
Income (Loss) Before Federal Income Tax Expense and Net Realized Capital Gains	2,267,611	(5,773,893)
Federal Income Tax Expense (Benefit)	1,402,524	(158,013)
Income (Loss) Before Net Realized Capital Gains, Net of Tax	865,087	(5,615,880)
Net Realized Capital Gains, Net of Tax	1,062,085	873,200
Net Income (Loss)	$ 1,927,172	$ (4,742,680)
Net Income (Loss) Before Net Realized Capital Gains Per Share	$ 0.05	$ (0.33)
Net Realized Capital Gains, Net of Income Taxes Per Share	0.06	0.05
Net Income (Loss) Per Share	$ 0.11	$ (0.28)
Shares Outstanding	17,068,023	17,068,023
Changes in Policyholders' Surplus:		
Policyholders' Surplus - Beginning of Year	$ 115,201,002	$ 122,042,174
Changes in Policyholders' Surplus:		
Net Income (Loss)	1,927,172	(4,742,680)
Net Unrealized Capital Gains (Losses)	6,082,946	(9,696,613)
Asset Valuation Reserve	(7,070,944)	3,745,336
Net Deferred Tax Asset	(172,145)	2,961,098
Non-Admitted Assets	2,623,520	(4,685,320)
Provision for Reinsurance	45,550	24,710
Pension Benefit Obligations	(694,154)	3,769,356
Post-Retirement Benefit Obligations	(2,055,430)	1,782,941
Net Increase (Decrease)	686,515	(6,841,172)
Policyholders' Surplus - End of Year	$ 115,887,517	$ 115,201,002

STATUTORY STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash from Operations:		
Premiums Collected, Net of Reinsurance	$ 187,197,408	$ 198,254,508
Net Investment Income	66,257,395	61,231,537
Miscellaneous Income	729,703	730,414
Total Cash Received	254,184,506	260,216,459
Benefits and Loss Related Payments	193,794,470	163,197,306
Commissions, Expenses Paid, and Other Deductions	52,697,998	61,336,982
Dividends Paid to Policyholders	11,026	11,186
Federal Income Taxes Paid	260,001	911,512
Total Cash Disbursed	246,763,495	225,456,986
Net Cash from Operations	7,421,012	34,759,473
Cash from Investments:		
Proceeds from Investments Sold, Matured, or Repaid:		
Bonds	202,635,331	173,356,497
Stocks	10,127,033	7,645,755
Mortgage Loans	6,943,873	9,352,523
Miscellaneous	350,000	586,841
Total Investment Proceeds	220,056,237	190,941,616
Cost of Investments Acquired:		
Bonds	210,073,521	188,528,315
Stocks	8,648,660	8,843,326
Mortgage Loans	11,176,198	15,908,226
Real Estate	276,516	-
Miscellaneous	13,829,848	18,658,865
Total Investments Acquired	244,004,743	231,938,732
Net Increase in Contract Loans	486,177	61,151
Net Cash from Investments	(24,434,683)	(41,058,267)
Cash from Financing and Miscellaneous Sources:		
Net Deposits on Deposit-Type Contracts	9,038,210	(19,427,900)
Other Cash Provided	15,603,710	19,632,381
Net Cash from Financing and Miscellaneous Sources	24,641,920	204,481
Net Change in Cash, Cash Equivalents, and Short-Term Investments	7,628,249	(6,094,313)
Cash, Cash Equivalents, and Short-Term Investments at Beginning of Year	4,188,582	10,282,895
Cash, Cash Equivalents, and Short-Term Investments at End of Year	$ 11,816,831	$ 4,188,582

The accompanying notes are an integral part of the statutory 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, 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 exited the Financial Products Market (which represents $(0.5) million and $13.2 million of credit life and credit accident and health premium in 2023 and 2022, respectively). The Company no longer accepted 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, with a corresponding allowance for credit-related unrealized losses reported in net income; and debt securities classified as trading would be carried at fair value with the unrealized holding gains and losses reported in income; debt securities classified as available for sale would be carried at fair value with a corresponding allowance for credit-related losses reported in net income and non-credit unrealized holding gains and losses reported as a separate component of surplus. 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 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 prepaid pension, 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, 2023, the Company held $4,771,890 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 basis 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 26, 2024, which is the date the financial statements were available to be issued.

J. Other

Under GAAP, allowances for credit losses are required to be assessed and recorded for certain financial assets measured at cost or amortized cost such as mortgage loans, uncollected premium and amounts due from reinsurers; under statutory accounting, no such allowance for credit losses are recorded.

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 2024. 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 2024.

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
2024	$ 2,560,000	$ 2,489,000
2025	2,696,000	2,642,000
2026	3,164,000	2,839,000
2027	4,900,000	2,866,000
2028	3,990,000	2,995,000
2029-2033	19,050,000	16,488,000

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	
	2023	2022	2023	2022
Change in Benefit Obligation:				
Benefit Obligation at Beginning of Year	$ 40,795,243	$ 79,168,520	$49,059,032	$56,363,369
Service Cost	383,449	894,495	814,965	1,167,819
Interest Cost	1,977,195	1,544,369	2,470,380	1,464,895
Actuarial Gain	966,221	(21,402,790)	7,010,601	(8,438,365)
Benefits Paid	(4,181,877)	(19,409,351)	(2,023,948)	(1,498,686)
Benefit Obligation at End of Year	$ 39,940,231	$ 40,795,243	$57,331,030	$49,059,032
Accumulated Benefit Obligation	$ 38,269,394	$ 39,057,787	$57,331,030	$49,059,032
Change in Plan Assets:				
Fair Value of Plan Assets at Beginning of Year	$ 53,116,605	$ 71,424,278	$22,139,060	$22,752,992
Actual Return on Plan Assets	3,035,796	(598,322)	662,622	631,524
Employer Contribution	-	1,700,000	-	-
Benefits Paid	(4,181,877)	(19,409,351)	(1,685,361)	(1,245,456)
Fair Value of Plan Assets at End of Year	$ 51,970,524	$ 53,116,605	$21,116,321	$22,139,060
Funded Status:				
Recognized Liabilities				
Accrued Benefit Costs (Prepaid Asset)	$ (8,424,307)	$ (6,865,284)	$31,358,731	$30,571,699
Liability (Prepaid Asset) for Benefits	(3,605,986)	(5,456,078)	4,855,978	(3,651,727)
Total Liabilities Recognized (Nonadmitted Prepaid Asset)	$ (12,030,293)	$ (12,321,362)	$36,214,709	$26,919,972
Unrecognized Liabilities	$ -	$ -	$ -	$ -
Components of Net Periodic Benefit Cost:				
Service Cost	$ 383,449	$ 894,495	$ 814,965	$ 1,167,819
Interest Cost	1,977,195	1,544,369	2,470,380	1,464,895
Expected Return on Plan Assets	(3,525,845)	(3,607,677)	(1,162,301)	(682,590)
Amortization of				
Net Gains (Losses)	(16,263)	160,943	-	293,603
Prior Service Cost	-	-	(997,425)	(997,425)
Settlement/Curtailment	(377,559)	(2,595,865)	-	-
Total Net Periodic (Benefit) Cost	$ (1,559,023)	$ (3,603,735)	$ 1,125,619	$ 1,246,302

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	
	2023	2022	2023	2022	2023	2022	2023	2022
Benefit Obligation	$ 24,398,688	$ 24,317,232	$ 6,099,672	$ 6,079,308	$ 9,441,871	$ 10,398,703	$ 39,940,231	$ 40,795,243
Plan Assets	31,747,754	31,661,746	7,936,938	7,915,436	12,285,832	13,539,423	51,970,524	53,116,605
Underfunded (Overfunded)	$ (7,349,066)	$ (7,344,514)	$ (1,837,266)	$ (1,836,128)	$ (2,843,961)	$ (3,140,720)	$ (12,030,293)	$ (12,321,362)
Accrued Benefit Costs	$ (3,897,092)	$ (2,967,790)	$ (974,276)	$ (741,950)	$ (3,552,939)	$ (3,155,544)	$ (8,424,307)	$ (6,865,284)
Liability (Prepaid Asset) for Benefits	(3,451,973)	(4,376,724)	(862,991)	(1,094,178)	708,978	14,824	(3,605,986)	(5,456,078)
	$ (7,349,065)	$ (7,344,514)	$ (1,837,267)	$ (1,836,128)	$ (2,843,961)	$ (3,140,720)	$ (12,030,293)	$ (12,321,362)
Net Periodic Benefit Cost	$ (929,302)	$ (2,073,774)	$ (232,326)	$ (518,442)	$ (397,395)	$ (1,011,519)	$ (1,559,023)	$ (3,603,735)

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	
	2023	2022	2023	2022	2023	2022	2023	2022
Benefit Obligation	$ 35,467,268	$ 30,528,595	$ 8,866,817	$ 7,632,149	$ 12,996,945	$ 10,898,288	$ 57,331,030	$ 49,059,032
Plan Assets	13,063,401	13,777,580	3,265,850	3,444,395	4,787,070	4,917,085	21,116,321	22,139,060
Underfunded	$ 22,403,867	$ 16,751,015	$ 5,600,967	$ 4,187,754	$ 8,209,875	$ 5,981,203	$ 36,214,709	$ 26,919,972
Accrued Benefit Costs	$ 19,551,879	$ 19,060,847	$ 4,887,965	$ 4,765,207	$ 6,918,887	$ 6,745,645	$ 31,358,731	$ 30,571,699
Liability (Prepaid Asset) for Benefits	2,851,992	(2,309,832)	712,998	(577,453)	1,290,988	(764,442)	4,855,978	(3,651,727)
	$ 22,403,871	$ 16,751,015	$ 5,600,963	$ 4,187,754	$ 8,209,875	$ 5,981,203	$ 36,214,709	$ 26,919,972
Net Periodic Benefit Cost	$ 700,495	$ 773,306	$ 175,124	$ 193,326	$ 250,000	$ 279,670	$ 1,125,619	$ 1,246,302

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	
	2023	2022	2023	2022
Amounts in Unassigned Surplus Recognized as Components of Net Periodic Benefit Cost:				
Items Not Yet Recognized from Prior Year	$ (5,456,078)	$ 9,305,791	$ (3,651,727)	$ 4,031,750
Net Prior Service Cost Recognized	-	-	997,425	997,425
Net (Gain) Loss Arising During the Period	1,456,270	(17,196,791)	7,510,280	(8,387,299)
Net Gain (Loss) Recognized	393,822	2,434,922	-	(293,603)
Items Not Yet Recognized Current Year	$ (3,605,986)	$ (5,456,078)	$ 4,855,978	$ (3,651,727)
Amounts in Unassigned Surplus Not Yet Recognized as Components of Net Periodic Benefit Cost:				
Net Prior Service Cost	$ -	$ -	$ (2,563,381)	$ (3,560,806)
Net Recognized (Gains) Losses	$ (3,605,986)	$ (5,456,078)	$ 7,419,359	$ (90,921)

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

	Pension Benefits		Post-Retirement Benefits	
	2023	2022	2023	2022
Discount Rate	4.91%	5.11%	5.11%	5.29%
Rate of Compensation Increase	4.00% to 8.75%	4.00% to 8.75%	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	
	2023	2022	2023	2022
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
Expected Long-Term Rate of Return on Plan Assets	6.75%	5.25%	5.25%	3.00%

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 2023, the health care cost trend rate for 2024 was 7.66 percent/8.27 percent for pre-65/post-65, then graded down to 4.50 percent by 2032 onwards. In 2022, the health care cost trend rate for 2023 was 6.87 percent/7.26 percent for pre-65/post-65, then graded down to 4.50 percent by 2031 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 $16,690,620 and $5,373,405 as of December 31, 2023 and 2022, respectively, or 32 percent and 10 percent of total plan assets. Equity securities comprise the remaining plan assets. At December 31, 2023 and 2022, equity securities, cash and cash equivalents amounted to $35,279,904 and

$47,743,200, respectively, or 68 percent and 90 percent of total plan assets. In 2023 and 2022, the Trustees liquidated $15,000,000 and $0 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, 2023 and 2022, the fair value of the contract was $21,116,321 and $22,139,060, respectively. No contributions were made into the deposit administration contract in 2023 and 2022.

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, 2023, for the Company and its affiliates:

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Pension Plan Assets:				
Equity Securities				
Communications Services	$ 1,919,087	$ -	$ -	$ 1,919,087
Consumer Discretionary	1,275,915	-	-	1,275,915
Consumer Staples	3,860,430	-	-	3,860,430
Energy	2,424,905	-	-	2,424,905
Financials	6,220,699	-	-	6,220,699
Health Care	4,615,606	-	-	4,615,606
Industrials	3,610,806	-	-	3,610,806
Information Technology	4,451,097	-	-	4,451,097
Materials	776,493	-	-	776,493
Utilities	5,343,056	-	-	5,343,056
Total Equity Securities	34,498,093	-	-	34,498,093
Cash and Cash Equivalents	781,810	-	-	781,810
Deposit Administration Contract	-	-	16,690,620	16,690,620
Total Pension Plan Assets	$ 35,279,904	$ -	$ 16,690,620	$ 51,970,524
Post-Retirement Plan Assets:				
Deposit Administration Contract	$ -	$ -	$ 21,116,321	$ 21,116,321
Total Post-Retirement Plan Assets	$ -	$ -	$ 21,116,321	$ 21,116,321

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

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 $67,300 and $74,300 in 2023 and 2022. The Company's liability for the director retirement benefit was $191,845 and $268,448 at December 31, 2023 and 2022, 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 $52,571 and $50,854 at December 31, 2023 and in 2022, respectively. The liability for the director retirement benefit under the additional plan was $907,389 and $880,937 at December 31, 2023 and 2022, 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 2023 and 2022, 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 2.5 and 3.0 percent of employees' eligible earnings in 2023 and 2022, respectively, as well as a 75.0 percent match of the employees' percentage of contribution not to exceed 7.0 percent of employees' eligible earnings in 2023 in 2022.

Employer contributions of $333,315 and $555,641, respectively, were made to this plan for all participants in 2023 and 2022.

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 2023 and 2022, $26,000 and $26,000 of director fees were deferred, respectively. The liability for director deferred compensation was $255,002 and $232,890 at December 31, 2023 and 2022, respectively.

3. Affiliated Entity Transactions

The Farmers Automobile Insurance Association (Association) and its wholly owned subsidiary, Pekin Insurance Company, owned 91.71 percent and 90.42 percent of the Company at December 31, 2023 and 2022, 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 $6,474,240 in 2023 and $6,719,215 in 2022.

The Board of Directors of Pekin Financial Life Insurance Company and Pekin Life Insurance Company voted on September 20, 2023 to dissolve operations of Pekin Financial Life Insurance Company. Prior to dissolution, the Company owned 100 percent of the common stock of Pekin Financial Life Insurance Company, a stock life insurance company. Pekin Financial Life Insurance Company repaid the $350,000 surplus note receivable balance held by the Company, and the Company recorded a realized loss of $100,000 on the common stock held in Pekin Financial Life Insurance Company.

The Company's home office building has a book value of $1,298,713 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 5 annuities from the Company in 2023 and 11 annuities in 2022. The single premium for these annuities totaled $207,596 and $686,468 in 2023 and 2022, respectively. The total reserve carried by the Company at December 31, 2023 and 2022, is $9,387,774 and $9,783,925, 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, 2023, are as follows:

	2023			
Obligation	**Admitted Value**	**Unrealized Gain**	**Unrealized Loss**	**Market Value**
U.S. Government	$ 2,897,813	$ -	$ 149,399	2,748,414
Other Government	5,790,891	-	991,704	4,799,187
U.S. States, Territories and Possessions	5,125,000	14,620	671,313	4,468,307
U.S. Political Subdivisions	3,550,000	-	845,011	2,704,989
U.S. Special Revenue and Special Assessment	93,499,523	2,041,980	9,626,391	85,915,112
Industrial and Miscellaneous	1,059,471,464	19,240,201	90,076,686	988,634,979
Hybrid Securities	4,002,733	-	87,484	3,915,249
Loan-Backed Securities	243,244,748	296,780	23,739,434	219,802,094
Total	$1,417,582,172	$ 21,593,581	$ 126,187,422	$ 1,312,988,331

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 of loan-backed securities includes $118,854 and $153,459 of U.S. Government Guaranteed Securities for 2023 and 2022, respectively.

The admitted value and market value of bonds at December 31, 2023, by contractual maturity, are shown below:

	Admitted Value	Market Value
Due in One Year or Less	$ 7,339,444	$ 7,249,191
Due After One Year Through Five Years	200,302,658	194,734,465
Due After Five Years Through Ten Years	374,441,866	346,333,834
Due After Ten Years	835,498,204	764,670,841
Total	$1,417,582,172	$1,312,988,331

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, 2023 or 2022.

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

	2023		2022	
Common Stock	Adjusted Cost	Market Value	Adjusted Cost	Market Value
Common Stock	$22,941,496	$ 35,899,031	$22,779,707	$ 29,754,288
Gross Unrealized Gains		$ 13,795,280		$ 8,951,562
Gross Unrealized Losses		837,745		1,976,981

Debt securities with unrealized losses based on estimated market values as of December 31, 2023, 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	$ -	$ -	$ 2,748,414	$ 149,398	$ 2,748,414	$ 149,398
Other Government	-	-	4,799,187	991,704	4,799,187	991,704
U.S. States, Territories and Possessions	-	-	2,453,688	671,313	2,453,688	671,313
U.S. Political Subdivisions	-	-	2,704,989	845,012	2,704,989	845,012
U.S. Special Revenue and Special Assessment	6,612,620	506,423	53,445,510	9,119,970	60,058,130	9,626,393
Industrial and Miscellaneous	33,268,168	1,067,212	598,520,219	89,009,474	631,788,387	90,076,686
Hybrid Securities	-	-	3,915,248	87,484	3,915,248	87,484
Loan-Backed Securities	258,213	809	186,467,623	23,738,623	186,725,836	23,739,432
Total Bonds with Unrealized Losses	$ 40,139,001	$ 1,574,444	$ 855,054,878	$ 124,612,978	$ 895,193,879	$ 126,187,422

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

Description of Securities	Less Than 12 Months Market Value	Less Than 12 Months Unrealized Losses	12 Months or More Market Value	12 Months or More Unrealized Losses	Total Market Value	Total 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

Equity securities with unrealized losses based on estimated market values as of December 31, 2023, are shown below:

Description of Securities	Less Than 12 Months Market Value	Less Than 12 Months Unrealized Losses	12 Months or More Market Value	12 Months or More Unrealized Losses	Total Market Value	Total Unrealized Losses
Common Stocks	$ 6,858,405	$ 163,073	$ 6,092,160	$ 674,672	$ 12,950,565	$ 837,745
Total Common Stocks with Unrealized Losses	$ 6,858,405	$ 163,073	$ 6,092,160	$ 674,672	$ 12,950,565	$ 837,745

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

Description of Securities	Less Than 12 Months Market Value	Less Than 12 Months Unrealized Losses	12 Months or More Market Value	12 Months or More Unrealized Losses	Total Market Value	Total 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

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

	2023	2022
Gains on Disposals	$ 3,703,658	$ 3,182,039
Losses on Disposals	(9,673,018)	(2,519,138)
OTTI	(93,933)	(81,029)
Transfers to IMR	5,932,532	452,508
Total	(130,761)	1,034,380
Tax Expense (Benefit)	1,192,846	(161,180)
Net Realized Capital Gains	$ 1,062,085	$ 873,200

Bonds and Certificate of Deposit reported at admitted value at December 31, 2023 and 2022, respectively, are shown below:

	2023		2022	
State of Record	**Bonds**	**Certificate of Deposit**	**Bonds**	**Certificate of Deposit**
Georgia	$ -	$ 35,000	$ -	$ 35,000
Illinois	1,685,593	-	1,701,168	-
Nevada	200,336	-	200,336	-
North Carolina	600,018	-	600,252	-
Virginia	411,866	-	415,919	-
Total Deposits	$ 2,897,813	$ 35,000	$ 2,917,675	$ 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 36 states. The minimum and maximum lending rates for mortgage loans during 2023 was 3.88 percent and 7.06 percent. The minimum and maximum lending rates for mortgage loans during 2022 was 3.88 percent and 6.26 percent. In 2023 and 2022, 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 100 percent and 75 percent, respectively. In 2023 and 2022, 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 16 percent and 17 percent, respectively. The Company has not included taxes, assessments, or other amounts advanced in mortgage loans at December 31, 2023 or 2022. The Company had one mortgage with interest more than 180 days past due as of December 31, 2023. An OTTI of $93,933 was recognized as a realized loss on mortgage loans in 2023 for this loan. There were no mortgages with interest more than 180 past due and no OTTI recognized as a realized loss during 2022. There were no gains or losses from the disposal of mortgage loans in 2023 or 2022. There were no mortgage loans derecognized as a result of foreclosure during 2023 or 2022.

An age analysis of mortgage loans is shown below:

	2023	2022
Recorded Investment	Commercial All Other	
Current	$ 113,908,126	$ 109,984,934
180+ days past due	215,220	-
	114,123,346	109,984,934

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, 2023 and 2022, respectively, the amount of securities loaned was $38,064,429 and $25,281,178, and the related collateral was $39,044,671 and $25,909,067. At December 31, 2023 collateral assets valued at $1,976,370 had maturity dates beyond one year.

Pekin Life Insurance Company

Notes to Financial Statements – Statutory Basis

The aggregate amount of cash collateral received as of December 31, 2023 and 2022 is shown below by maturity date:

	2023	2022
Maturity Date	**Fair Value**	**Fair Value**
Open	$ 22,799,530	$ 14,064,407
30 Days or Less	2,303,839	3,262,758
31 to 60 Days	2,084,242	1,765,728
61 to 90 Days	3,837,163	1,246,246
Greater Than 90 Days	7,500,961	5,251,122
Total Bond Collateral Received	38,525,735	25,590,261
Total Equity Collateral Received	518,936	318,806
Total Collateral Received	$ 39,044,671	$ 25,909,067

The Company participates in a liquid asset portfolio. At December 31, 2023 and 2022, the aggregate value of the reported reinvested collateral was $39,628,722 and $25,807,302 and the related fair value was $38,941,237 and $25,901,898, respectively.

As of December 31, 2023 and 2022, the Company has $41,515,796 and $33,203,255, 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, 2023:

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 Level 3 asset held December 31, 2023 was purchased for $587,316 in 2022, and showed a cumulative gain of $22,629 totaling $609,945 as of December 31, 2022. As of December 31, 2023 the asset showed a cumulative loss of $1,555, bringing the value to $585,761. The Company does not have any liabilities measured at fair value at December 31, 2023 and 2022.

The aggregate fair value of all financial instruments as of December 31, 2023, is shown below.

	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds	$ 1,312,988,295	$ 1,417,582,172	$ 2,748,414	$ 1,310,239,881	$ -	$ -
Common Stock	35,899,031	35,899,031	35,313,270	-	585,761	-
Mortgage Loans	114,123,346	114,123,346	-	-	-	114,123,346
Cash Equivalents	10,193,740	10,193,740	10,193,740	-	-	-

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	-	-	-

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, 2023 and 2022, the carrying value of the mortgage loans was $114,123,346 and $109,984,934, 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

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			
	2023		2022	
	General Account	Percent of Total	General Account	Percent of Total
Subject to Discretionary Withdrawal:				
With Market Value Adjustment	$ 115,576,308	41.8%	$128,529,191	41.7%
At Book Value Less Current Surrender Charge of 5% or More	5,113,328	1.8%	4,736,127	1.5%
At Fair Value	166,025	0.1%	173,981	0.1%
Total With Market Value Adjustment or at Fair Value	120,855,661	43.7%	133,439,299	43.3%
At Book Value Without Adjustment	150,368,214	54.3%	168,959,010	54.9%
Not Subject to Discretionary Withdrawal	5,513,615	2.0%	5,544,216	1.8%
Total Gross	276,737,490	100.0%	307,942,525	100.0%
Reinsurance Ceded	(41,506)		(43,496)	
Total Net	$ 276,695,984		$307,899,029	

	Group Annuities			
	2023		2022	
	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	6,812,448	15.6%	6,639,221	15.0%
At Fair Value	-	0.0%	-	0.0%
Total With Market Value Adjustment or at Fair Value	6,812,448	15.6%	6,639,221	15.0%
At Book Value Without Adjustment	4,806,731	11.0%	4,141,121	9.3%
Not Subject to Discretionary Withdrawal	32,057,245	73.4%	33,588,792	75.7%
Total Gross	43,676,424	100.0%	44,369,134	100.0%
Reinsurance Ceded	-		-	
Total Net	$ 43,676,424		$ 44,369,134	

	Deposit-Type Contracts			
	2023		2022	
	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	16,227,140	30.0%	17,483,406	38.9%
Not Subject to Discretionary Withdrawal	37,806,941	70.0%	27,512,465	61.1%
Total Gross	54,034,081	100.0%	44,995,871	100.0%
Reinsurance Ceded	-		-	
Total Net	$ 54,034,081		$ 44,995,871	

In 2023 and 2022, the Company reported $37,806,941 and $27,512,465, 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, 2023 are as follows:

	2023		
	General Account		
	Account Value	Cash Value	Reserve
Subject to Discretionary Withdrawal, Surrender Values, or Policy Loans:			
Universal Life	$ 246,731,227	$ 216,875,566	$ 226,438,542
Universal Life with Secondary Guarantees	94,925,757	92,519,244	113,781,440
Other Permanent Cash Value Life Insurance	408,101,221	408,101,221	529,328,327
Miscellaneous Reserves	-	-	3,373,049
Not Subject to Discretionary Withdrawal or No Cash Values:			
Term Policies Without Cash Value	-	-	192,651,703
Accidental Death Benefits	-	-	87,406
Disability - Active Lives	-	-	1,752,869
Disability - Disabled Lives	-	-	455,987
Miscellaneous Reserves	-	-	14,375,696
Total Gross	749,758,205	717,496,031	1,082,245,019
Reinsurance Ceded	-	-	20,642,540
Total Net	$ 749,758,205	$ 717,496,031	$ 1,061,602,479

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.

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, 2023 and 2022, the Company had $1,307,084,560 and $1,075,595,719, 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 $7,929,448 and $6,920,774 and at December 31, 2023 and 2022, 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:

	2023	2022
Balance at January 1	$ 7,815,441	$ 8,225,565
Less Reinsurance Recoverables	43,078	67,754
Net Balance at January 1	7,772,363	8,157,811
Incurred Related to:		
Current Year	38,638,886	35,674,480
Prior Years	(859,901)	(1,673,575)
Total Incurred	37,778,985	34,000,905
Paid Related to:		
Current Year	32,651,044	29,674,574
Prior Years	4,904,442	4,711,779
Total Paid	37,555,486	34,386,353
Net Balance at December 31	7,995,862	7,772,363
Plus Reinsurance Recoverables	-	43,078
Balance at December 31	$ 7,995,862	$ 7,815,441

Health claim reserves of $3,304,392 and $3,621,728 and health contract claims of $4,691,470 and $4,150,635 as of December 31, 2023 and 2022, 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 $859,901 and $1,673,575 in 2023 and 2022, respectively.

C. Premium and Annuity Considerations Deferred

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

	2023		2022	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary New Business	$ 1,977,138	$ 745,867	$ 1,902,997	$ 717,038
Ordinary Renewal	17,252,794	25,399,637	16,231,677	24,728,015
Group Life	615,632	445,966	578,922	435,126
Total	$ 19,845,564	$ 26,591,470	$ 18,713,596	$ 25,880,179

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, 2023 and 2022, respectively, due to the following:

	2023	2022	Change
Computed Expected Federal Income Tax Expense	$ 476,198	$ (1,212,518)	$ 1,688,716
Increase (Decrease) in Taxes Resulting from:			
Statutory Reserves Versus Tax Reserves	981,609	555,030	426,579
Amortization of IMR	(346,187)	(635,518)	289,331
Deferred Acquisition Costs	1,078,711	1,105,623	(26,912)
Defined Benefit and Post-Retirement	(47,072)	(238,988)	191,916
Prior Year Under Accrual	(1,513)	3,167	(4,680)
Net Operating Loss Carryforward	(396,186)	453,209	(849,395)
All Others	(343,036)	(188,018)	(155,018)
Federal Income Tax Expense (Benefit)	1,402,524	(158,013)	1,560,537
Tax on Capital Gains	(1,192,846)	161,180	(1,354,026)
Taxes Incurred	$ 209,678	$ 3,167	$ 206,511

The components of the net deferred tax asset as of December 31, 2023 and 2022, are as follows:

	2023		
	Ordinary	**Capital**	**Total**
Gross Deferred Tax Assets	$25,304,699	$ 27,458	$ 25,332,157
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	25,304,699	27,458	25,332,157
Deferred Tax Assets Non-Admitted	12,339,369	-	12,339,369
Subtotal Net Admitted Deferred Tax Asset	12,965,330	27,458	12,992,788
Deferred Tax Liabilities	2,808,678	2,713,350	5,522,028
Net Admitted Deferred Tax Assets	$10,156,652	$ (2,685,892)	$ 7,470,760

	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

	Change		
	Ordinary	**Capital**	**Total**
Gross Deferred Tax Assets	$ 934,048	$ 10,442	$ 944,490
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	934,048	10,442	944,490
Deferred Tax Assets Non-Admitted	206,248	-	206,248
Subtotal Net Admitted Deferred Tax Asset	727,800	10,442	738,242
Deferred Tax Liabilities	(149,068)	1,265,703	1,116,635
Net Admitted Deferred Tax Assets	$ 876,868	$ (1,255,261)	$ (378,393)

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).*

	2023 Ordinary	2023 Capital	2023 Total
Admissible Under Paragraph:			
11a. Ability to Recover Taxes Paid in Prior Years	$ -	$ -	$ -
11b. Expected to be Realized, After Application of Threshold Limitations	7,470,760	-	7,470,760
11c. Offset of Deferred Tax Liabilities	5,522,028	-	5,522,028
Total Admitted Deferred Tax Assets	$ 12,992,788	$ -	$ 12,992,788

	2022 Ordinary	2022 Capital	2022 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

	Change Ordinary	Change Capital	Change Total
Admissible Under Paragraph:			
11a. Ability to Recover Taxes Paid in Prior Years	$ -	$ -	$ -
11b. Expected to be Realized, After Application of Threshold Limitations	(378,393)	-	(378,393)
11c. Offset of Deferred Tax Liabilities	1,116,635	-	1,116,635
Total Admitted Deferred Tax Assets	$ 738,242	$ -	$ 738,242

	2023	2022
Ratio Used to Determine Recovery Period and Threshold Limitation Amount Under Paragraph 11b	757%	658%
Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation Under Paragraph 11b	$130,193,648	$122,057,995

The major components of current income taxes incurred and net deferred tax assets as of December 31, 2023 and 2022, are as follows:

	2023	2022	Change
Current Income Tax:			
Federal	$ 237,326	$ -	$ 237,326
Prior Year Under (Over) Accrual			
of Tax Reserves	(27,648)	3,167	(30,815)
Federal Income Tax Incurred	$ 209,678	$ 3,167	$ 206,511
Deferred Tax Assets:			
Ordinary:			
Stat vs. Tax Reserves	$ 9,198,016	$ 8,523,576	$ 674,440
DAC	11,539,148	10,460,437	1,078,711
Discounting of A&H Claim Reserves	62	53	9
Unearned Premium	249,277	446,600	(197,323)
Pension Accrual	148,885	3,113	145,772
Post-Retirement Accrual	1,724,073	1,416,585	307,488
Deferred Compensation	55,706	51,410	4,296
Directors Pension Liability	230,839	241,371	(10,532)
Non-Admitted Assets	2,091,120	2,694,937	(603,817)
Net Operation Loss Carryforward	-	453,209	(453,209)
Other	67,572	79,360	(11,787)
Total Ordinary Deferred Tax Assets	25,304,699	24,370,651	934,048
Statutory Valuation Allowance			
Adjustment	-	-	-
Non-Admitted	12,339,369	12,133,121	206,248
Admitted Ordinary Deferred Tax Assets	12,965,330	12,237,530	727,800
Capital:			
Other	27,458	17,016	10,442
Total Capital Deferred Tax Assets	27,458	17,016	10,442
Statutory Valuation Allowance			
Adjustment	-	-	-
Non-Admitted	-	-	-
Admitted Capital Deferred Tax Assets	27,458	17,016	10,442
Admitted Deferred Tax Assets	$ 12,992,788	$ 12,254,546	$ 738,242
Deferred Tax Liabilities:			
Ordinary:			
Accrual of Discount	$ 369,319	$ 254,164	$ 115,155
PIVOT & LiFT & PATH Depreciation	576,795	511,971	64,824
Pension Benefits	746,117	662,664	83,453
Post Retirement Benefits	-	160,533	(160,533)
Tax Cuts and Jobs Act Reserve Adjustments	906,359	1,359,539	(453,180)
Other	210,088	8,875	201,213
Total Ordinary Deferred Tax Liabilities	2,808,678	2,957,746	(149,068)
Capital:			
Unrealized Gains Common Stock	$ 2,713,350	$ 1,447,647	$ 1,265,703
Total Capital Deferred Tax Liabilities	2,713,350	1,447,647	1,265,703
Total Deferred Tax Liabilities	$ 5,522,028	$ 4,405,393	$ 1,116,635
Net Deferred Tax Assets	$ 7,470,760	$ 7,849,153	$ (378,393)

As of December 31, 2023 and 2022, the Company had a net operating loss carry-forward of $0 and $2,158,140, respectively. There were no capital loss carry-forwards available on December 31, 2023 and 2022.

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, 2023, 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.

The Company is considered a nonapplicable reporting entity under the Corporate Alternative Minimum Tax (CAMT) regulations, and therefore has not included any provision for CAMT.

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, 2023, 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, 2023 and 2022, respectively:

	2023	**2022**
Net Unrealized Capital Gains	$ 12,957,527	$ 6,874,581
Non-Admitted Assets	(22,297,085)	(24,920,605)
Asset Valuation Reserve	(21,771,395)	(14,700,451)
Provision for Reinsurance	-	(45,550)

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, 2023, was $93,887,517. The maximum dividend payout which may be made without prior approval in 2024 is $9,388,752.

Nathan Ashby*
FSB Insurance Agency
Harrisburg, Illinois

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

Bryce Bilyeu
Troxell
Springfield, Illinois

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

Jeffery Borntreger
Dansig, Inc.
Decatur, Illinois

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

Donald Branch
Max Insurance Services
Montgomery, Alabama

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

Beau Carver
Preston Insurance Agency Illinois, LLC
Springfield, Illinois

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

Patrick Click
MRMC Insurance, Ltd.
Vandalia, Illinois

Debra Conway
Forward Insurance
Thorp, Wisconsin

Stanton Cross
The Hillard Agency, Inc.
Tuscola, Illinois

Trisha Dagenhard*
Finnicum Hometown Agency, LLC
Magnolia, Ohio

Richard DeJardin
Northeast Insurance Center, LLC
Green Bay, Wisconsin

Lori Denny-Herman
First Central Insurance
Miamisburg, Ohio

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

Charles Deterding
Koch Insurance Agency, Inc.
Nashville, Illinois

Todd Dobbs
Chaney & Karch Insurance Group, Inc.
Centralia, Illinois

Andrew Drewes*
Kinmundy Insurance Service
Kinmundy, Illinois

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

Dale Edgecombe
Decatur Mutual Insurance Agency
Decatur, Illinois

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

Brett Egan
Compass Insurance Partners
Gibson City, Illinois

Adam Evrard
Home Insurance Agency
Tell City, Indiana

Joseph Feldbruegge
Feldbruegge Insurance Agency, LLC
Abbotsford, Wisconsin

Randell Fergurson
Fergurson Insurance Agency, Inc.
Greenfield, Illinois

Ryan Fuhrman
Fuhrman Carls Insurance Agency, Inc.
Franksville, Wisconsin

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

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

Benton Goodwin
Dixie Leavitt Agency
Cedar City, Utah

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

Randall Hallam
H. J. Mitchell Insurance Agency, Inc.
Albion, 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

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

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

Timothy Hughes*
Grojean Insurance Agency, Inc.
Jacksonville, 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

Austin Kelderman
Absolute Insurance Agency, LLC
Clive, Iowa

Scott Kibler
The Hillard Agency, Inc.
Tuscola, Illinois

John Kinkopf
Haudenschild Insurance Agency, Inc.
Loudonville, Ohio

Tyler Kroeger
Burkhart Insurance Agency, Inc.
Vincennes, Indiana

Kevin Krug
Lakeshore Financial Group, LLC
Fond Du Lac, Wisconsin

Matthew Langlois
Langlois Insurance Agency, Inc.
New Lenox, 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

Tim Leverich
Hometowne Insurance Services, Inc.
Oswego, Illinois

Lisa Lohmeyer
Frisbie & Lohmeyer, Inc.
Woodstock, Illinois

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

Richard Lutz
Bi-County Insurance
Biggsville, Illinois

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

Christopher Marks
Roberts Insurance Agency
Marion, Illinois

Daniel Marlow
Central Financial Group, L.C.
Johnston, Iowa

Casey Martin*
Dempster Insurance Agency, LLC
Peoria, Illinois

Craig Meyer - EDIT
Meyer-Jochums Agency, Inc.
Minonk, Illinois

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

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

Arnie Meyers
Family Insurance Services, Inc.
Fort Wayne, Indiana

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

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

William Preston
Preston Insurance Agency, Inc.
Peoria, Illinois

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

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

Jeffery Redieske
Senz Insurance Agency, Inc.
Beloit, Wisconsin

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

Brian Schulze
Brian Schulze Insurance & Associates, LLC
Sullivan, Indiana

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

Michelle Simpson
Williamson Insurance Services of Zanesville, Inc.
Zanesville, Ohio

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

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

Khaiser Syed
Khaiser Insurance Group
Phoenix, Arizona

John Tassone*
Thornton Powell
Oak Forest, Illinois

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

Robert Valenti
Forsyth Insurance Group, Inc.
Springfield, Illinois

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

Alex Van De Hey
Brian Van De Hey Insurance &
Financial Planning
De Pere, Wisconsin

Scott Van Dyn Hoven
Van Dyn Hoven Insurance Agency, Inc.
Little Chute, Wisconsin

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

Daniel Vukovic
Guardian Insurance Group
Peoria, Arizona

Garrett Waloway
The Insurance Works Agency, Inc.
Marinette, Wisconsin

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

Tina Yates
Greene County Insurance
Xenia, Ohio

Bruce Young
Church Insurance Agency
Paris, Illinois

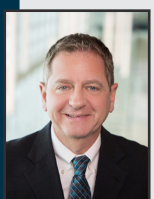
William Zerinskas*
Thornton Powell
Oak Forest, Illinois

******Lifetime members*

OFFICERS

DANIEL V. CONNELL,
Chairman of the Board,
President & Chief Executive Officer

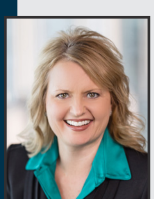
JOCELYN A. DUNCAN,
Senior Vice President
& Chief Operating Officer



JOEL M. JACKSON,
Senior Vice President

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

RYAN J. HANSON,
Senior Vice President,
Chief Financial Officer
and Treasurer

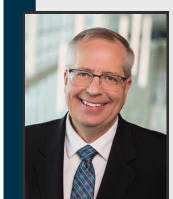


AMY L. BINGHAM,
Vice President -
Chief Information Officer

CYNTHIA D. BLACKBURN,
Vice President -
Human Resources

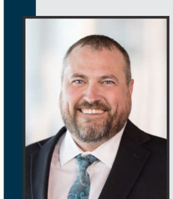
DAVID M. COUGHLIN,
Vice President -
Sales and Marketing

AMY M. DARLING,
Vice President -
Life Claims



PHILLIP L. EVANS,
Vice President -
Administrative Services

ERIK M. GRAVELLE,
Vice President -
Actuary Life



ERIC M. SHANE,
Vice President -
Life Underwriting

DIRECTORS

DANIEL V. CONNELL,
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.