

2023



ANNUAL REPORT

THE FARMERS AUTOMOBILE INSURANCE ASSOCIATION
PEKIN INSURANCE COMPANY
AND PEKIN SELECT INSURANCE COMPANY

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PEKIN INSURANCE

To the subscribers of The Farmers Automobile Insurance Association on behalf of the Farmers Automobile Management Corporation as Attorney-In-Fact and on behalf of the Advisory Committee thereof and to the shareholders of Pekin Insurance Company, this report of operations for the year 2023 is respectfully submitted by the Management and Board of Directors.

Pekin Insurance is a group name adopted to designate the combined operations of The Farmers Automobile Insurance Association, Pekin Insurance Company, Pekin Select Insurance Company, and Pekin Life Insurance Company. The joint operation of the four companies is conducted under the name or designation of Pekin Insurance. The Home Office of the companies is at 2505 Court Street, Pekin, Illinois.

The parent company, The Farmers Automobile Insurance Association, is a reciprocal, organized under the laws of the State of Illinois, April 1, 1921. The Attorney-In-Fact for the Association is Farmers Automobile Management Corporation. Subscribers to The Farmers Automobile Insurance Association appoint Farmers Automobile Management Corporation as Attorney-In-Fact to manage all affairs of the Association. Subscribers elect an Advisory Committee at their Annual Meeting to act for and on behalf of the subscribers on all matters relative to the conduct of the affairs of The Farmers Automobile Insurance Association that may come before the Advisory Committee. The Attorney-In-Fact Management Corporation is wholly owned by The Farmers Automobile Insurance Association.

Pekin Insurance Company is a capital stock insurance company organized under the laws of the State of Illinois, May 22, 1961. All outstanding shares of stock are owned by The Farmers Automobile Insurance Association.

Pekin Select Insurance Company is a capital stock insurance company organized under the laws of the State of Illinois, August 23, 2019. All outstanding shares of stock are owned by Pekin Insurance Company.

Pekin Life Insurance Company is a capital stock insurance company organized under the laws of the State of Illinois, April 28, 1965. The Farmers Automobile Insurance Association owns 14,359,611 shares and Pekin Insurance Company owns 1,293,776 shares of the 17,068,023 shares outstanding as of December 31, 2023. Remaining shares are owned substantially by agents and employees of the two companies.

THE FARMERS AUTOMOBILE INSURANCE ASSOCIATION

ADVISORY COMMITTEE

Craig W. Concklin, Chairman
 Thomas C. Hornstein, Vice Chairman
 Anthony S. Burkhart | Daniel V. Connell
 Brian R. Dennison | James W. Hefti
 John S. Heller | Brian K. Lee | Sheri N. Roser

DIRECTORS AND OFFICERS

FARMERS AUTOMOBILE MANAGEMENT CORPORATION ATTORNEY-IN-FACT, PEKIN INSURANCE COMPANY, AND PEKIN SELECT INSURANCE COMPANY

Daniel V. Connell, Tremont, Illinois	Chairman of the Board, President, and Chief Executive Officer
Craig W. Concklin, Hinsdale, Illinois	Director and Vice Chairman of the Board
Anthony S. Burkhart, Vincennes, Indiana	Director
Brian R. Dennison, Morton, Illinois	Director
James W. Hefti, Peoria, Illinois	Director
John S. Heller, East Peoria, Illinois	Director
Thomas C. Hornstein, Marco Island, Florida	Director
Brian K. Lee, Pekin, Illinois	Director
Sheri N. Roser, Enfield, Illinois	Director
Joel M. Jackson, Morton, Illinois	Senior Vice President and Chief Operating Officer
Jocelyn A. Duncan, Bloomington, Illinois	Senior Vice President
Ryan J. Hanson, Brookfield, Wisconsin	Senior Vice President, Chief Financial Officer and Treasurer
Tyler D. Petersen, Peoria Heights, Illinois	Senior Vice President - General Counsel and Secretary
Amy L. Bingham, Groveland, Illinois	Vice President - Chief Information Officer
Cynthia D. Blackburn, Bloomington, Illinois	Vice President - Human Resources
David M. Coughlin, Washington, Illinois	Vice President - Sales and Marketing
Phillip L. Evans, Glasford, Illinois	Vice President - Administrative Services
Kenneth D. Klug, Peoria, Illinois	Vice President - Chief Claims Officer
Ronald R. Mitchell, Marshalltown, Iowa	Vice President - Chief Underwriting Officer
Aaron Z. Potacki, Tremont, Illinois	Vice President - Corporate Actuary/P&C
Michele E. Ginther, Morton, Illinois	Controller

Daniel V. Connell, Tremont, Illinois	Chairman of the Board, President, and Chief Executive Officer
Craig W. Concklin, Hinsdale, Illinois	Director and Vice Chairman of the Board
Anthony S. Burkhart, Vincennes, Indiana	Director
Brian R. Dennison, Morton, Illinois	Director
James W. Hefti, Peoria, Illinois	Director
John S. Heller, East Peoria, Illinois	Director
Thomas C. Hornstein, Marco Island, Florida	Director
Brian K. Lee, Pekin, Illinois	Director
Sheri N. Roser, Enfield, Illinois	Director
Jocelyn A. Duncan, Bloomington, Illinois	Senior Vice President and Chief Operating Officer
Joel M. Jackson, Morton, Illinois	Senior Vice President
Ryan J. Hanson, Brookfield, Wisconsin	Senior Vice President, Chief Financial Officer and Treasurer
Tyler D. Petersen, Peoria Heights, Illinois	Senior Vice President - General Counsel and Secretary
James R. Smalley, M.D., PhD., Pekin, Illinois	Medical Director
Amy L. Bingham, Groveland, Illinois	Vice President - Chief Information Officer
Cynthia D. Blackburn, Bloomington, Illinois	Vice President - Human Resources
David M. Coughlin, Washington, Illinois	Vice President - Sales and Marketing
Amy M. Darling, Pekin, Illinois	Vice President - Life Brokerage and Claims
Phillip L. Evans, Glasford, Illinois	Vice President - Administrative Services
Erik M. Gravelle, Erie, Pennsylvania	Vice President - Life Actuary
Eric M. Shane, Pekin, Illinois	Vice President - Life Underwriting
Michele E. Ginther, Morton, Illinois	Controller

THE FARMERS AUTOMOBILE INSURANCE ASSOCIATION

December 31, 2023
with Comparative Figures for 2022

STATEMENT OF ASSETS AND LIABILITIES

ASSETS	2023	2022
Investments:	\$ 440,415,212	\$ 507,497,241
Bonds (Amortized values)		
Stocks:		
Affiliated Companies (Statutory Equity)	208,420,130	228,432,051
Unaffiliated		
Preferred	1,261,725	1,261,725
Unaffiliated Common (Market Value)	88,189,833	89,510,958
Real Estate	33,803,565	35,016,843
Cash	56,129,079	43,118,658
Securities Lending Reinvested Collateral Assets	16,306,466	5,401,641
Agency Loans Receivable	107,089	132,076
Total Cash and Investments	844,633,099	910,371,193
Premiums in Course of Collection	2,338,701	16,995,296
Premiums and Installments Not Yet Due	208,095,564	169,622,565
Reinsurance Recoverable on Paid Losses	2,322,529	7,952,747
Federal Income Tax Recoverable	-	17,081
Deferred Tax Asset	34,911,306	33,640,186
Accrued Investment Income	3,705,870	4,245,077
Electronic Data Processing Equipment	-	96,855
Receivable from Pekin Life Insurance Company	2,937,218	3,901,215
Receivable from Farmers Automobile Management Corporation	2,170	-
Receivable from Pekin Insurance Company	16,112,783	15,898,467
Receivable from Pekin Select Insurance Company	3,998	-
Total Assets	\$ 1,115,063,238	\$ 1,162,740,682
LIABILITIES & SURPLUS		
Reserves for Losses and Loss Adjustment Expenses:		
Losses	\$ 350,105,814	\$ 313,955,029
Loss Adjustment Expenses	76,980,092	78,102,091
Total Reserves	427,085,906	392,057,120
Commissions Payable	1,970	257,450
Commission on Premium Installments	6,617,851	7,156,239
Agents Contingent Commissions	7,870,709	12,034,382
Accrued Expenses and Taxes	24,907,772	21,361,497
Reserve for Unearned Premiums	248,609,331	239,077,205
Ceded Reinsurance Payable	6,577,080	3,209,723
Advance Premium Payments, Unallocated	5,118,043	2,935,742
Claim Drafts Outstanding	18,944,036	24,726,127
Post-Retirement Benefit Obligations	2,851,992	-
Payable to Pekin Select Insurance Company	-	10,539
Payable for Securities	187,607	63,719
Payable for Securities Lending	16,306,466	5,401,641
Other Liabilities	19,098,934	17,144,988
Total Liabilities	784,177,697	725,436,372
Unassigned Surplus	330,885,541	437,304,310
Total Liabilities & Surplus	\$ 1,115,063,238	\$ 1,162,740,682

THE FARMERS AUTOMOBILE INSURANCE ASSOCIATION

Year Ended December 31, 2023
with Comparative Figures for 2022

STATEMENT OF INCOME

	2023	2022
Underwriting Operations:		
Premiums Earned	\$ 495,533,108	\$ 458,347,514
Policy Service Fees	2,533,509	2,236,869
Deductions:		
Losses Incurred	428,784,916	301,190,728
Loss Adjustment Expenses Incurred	49,136,531	54,566,361
Underwriting Expenses Incurred	<u>178,267,389</u>	<u>175,282,737</u>
Total Deductions	<u>656,188,836</u>	<u>531,039,826</u>
Net Loss from Underwriting Operations	<u>(158,122,219)</u>	<u>(70,455,443)</u>
Investment Operations:		
Income:		
Interest	17,544,003	17,448,729
Dividends	1,476,115	1,438,635
Rent	5,810,451	5,676,958
Gain from Sale of Securities	<u>944,725</u>	<u>637,963</u>
Total Income	<u>25,775,294</u>	<u>25,202,285</u>
Deductions:		
Investment Expenses Incurred	5,760,496	5,407,932
Depreciation on Buildings	<u>1,771,732</u>	<u>1,863,456</u>
Total Deductions	<u>7,532,228</u>	<u>7,271,388</u>
Net Income from Investment Operations	18,243,066	17,930,897
Other Income	<u>695,636</u>	<u>273,325</u>
Net Loss from Operations	(139,183,517)	(52,251,221)
Federal Income Tax Incurred	<u>17,081</u>	<u>102,488</u>
Net Loss	<u>\$ (139,200,598)</u>	<u>\$ (52,353,709)</u>

THE FARMERS AUTOMOBILE INSURANCE ASSOCIATION

Year Ended December 31, 2023
with Comparative Figures for 2022

STATEMENT OF SURPLUS

	2023	2022
Balance at Beginning of Year	\$ 437,304,310	\$ 502,316,603
Net Loss for the Year	(139,200,598)	(52,353,709)
Unrealized Gain (Loss) resulting from change in difference between Book and Admitted Values of Investments:		
Affiliated Companies	(22,577,559)	(22,113,078)
Unaffiliated	14,054,975	(28,807,697)
Change in Net Deferred Income Taxes	21,323,312	10,799,617
Change in Nonadmitted Assets	26,067,677	13,948,131
Change in Obligations for:		
Postretirement Benefits	(5,161,824)	4,720,431
Pension Benefits	<u>(924,752)</u>	<u>8,794,012</u>
Net Decrease	<u>(106,418,769)</u>	<u>(65,012,293)</u>
Balance at End of Year	<u>\$ 330,885,541</u>	<u>\$ 437,304,310</u>

NOTES TO FINANCIAL STATEMENTS

**THE FARMERS AUTOMOBILE
INSURANCE ASSOCIATION**

December 31, 2023

- A** Securities are carried in accordance with the requirements of the National Association of Insurance Commissioners (NAIC), eligible bonds at amortized values, and other bonds and marketable stocks at current market quotations.
- B** At December 31, 2023, securities included in the statement at \$2,312,028 were on deposit as required by law and \$41,356,345 were posted as collateral in relation to the sale leaseback transaction.
- C** The Association participates in a securities lending program which requires a minimum of 102 percent and 105 percent of the fair value of the domestic and foreign securities loaned at the outset of the contract as collateral. Cash collateral received is invested in short-term investments. At December 31, 2023, cash collateral was \$16,084,154 while the market value of the securities on loan was \$15,656,038. The carrying value of the reinvested assets was \$16,306,466.
- D** A pension benefit obligation of \$3,451,973 is a non-admitted asset in the balance sheet and charged against surplus. This amount represents the required provision for the unfunded portion of the plan resulting from the difference between the pension obligation and the fair value of the pension assets at December 31, 2023. Fluctuations in this liability arise as the investment returns on plan assets and the assumed discount rates change.
- E** A postretirement liability of \$2,851,992 is included in the balance sheet and charged against surplus. This amount represents the required provision for the unfunded portion of the plan resulting from the difference between the postretirement obligation and the fair value of the postretirement assets at December 31, 2023. Fluctuations in this asset arise as the investment returns on plan assets and the assumed discount rates change.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS	2023	2022
Investments:	\$ 236,394,661	\$ 260,500,039
Bonds (Amortized values)		
Stocks:		
Affiliated Companies (Statutory Equity)	16,810,853	14,663,563
Unaffiliated		
Preferred	750,850	750,850
Common (Market Value)	26,960,268	28,837,814
Cash	13,308,119	2,507,147
Securities Lending Reinvested Collateral Assets	9,446,457	739,940
Receivable for Securities	36	-
Total Cash and Investments	<u>303,671,244</u>	<u>307,999,353</u>
Federal Income Tax Recoverable	1,273,161	3,285,732
Deferred Tax Asset	8,297,989	2,931,421
Accrued Investment Income	2,029,637	2,305,601
Total Assets	<u>\$ 315,272,031</u>	<u>\$ 316,522,107</u>
LIABILITIES, CAPITAL & SURPLUS		
Reserves for Losses and Loss Adjustment Expenses:		
Losses	\$ 87,526,453	\$ 78,488,757
Loss Adjustment Expenses	19,245,023	19,525,523
Total Reserves	<u>106,771,476</u>	<u>98,014,280</u>
Agents Contingent Commissions	1,967,677	3,008,596
Accrued Expenses and Taxes	7,187,202	6,090,977
Reserve for Unearned Premiums	62,152,333	59,769,301
Post-Retirement Benefit Obligations	712,998	-
Payable for Securities Lending	9,446,457	739,940
Due to The Farmers Automobile Insurance Association	16,112,783	15,898,467
Total Liabilities	<u>204,350,926</u>	<u>183,521,561</u>
Capital Paid Up	2,012,500	2,012,500
Unassigned Surplus	108,908,605	130,988,046
Total Capital and Surplus	<u>110,921,105</u>	<u>133,000,546</u>
Total Liabilities, Capital, & Surplus	<u>\$ 315,272,031</u>	<u>\$ 316,522,107</u>

STATEMENT OF INCOME

	2023	2022
Underwriting Operations:		
Premiums Earned	\$ 123,883,277	\$ 114,586,878
Policy Service Fees	633,377	559,217
Deductions:		
Losses Incurred	107,196,229	75,297,682
Loss Adjustment Expenses Incurred	12,284,133	13,641,590
Underwriting Expenses Incurred	44,566,847	43,834,463
Total Deductions	<u>164,047,209</u>	<u>132,773,735</u>
Net Loss from Underwriting Operations	<u>(39,530,555)</u>	<u>(17,627,640)</u>
Investment Operations:		
Income:		
Interest	9,019,756	8,193,728
Dividends	458,588	453,557
Gain (Loss) from Sale of Securities	<u>(167,332)</u>	<u>736,172</u>
Total Income	<u>9,311,012</u>	<u>9,383,457</u>
Deductions:		
Investment Expenses Incurred	<u>1,003,499</u>	<u>1,062,876</u>
Total Deductions	<u>1,003,499</u>	<u>1,062,876</u>
Net Income from Investment Operations	<u>8,307,513</u>	<u>8,320,581</u>
Net Loss from Operations	(31,223,042)	(9,307,059)
Federal Income Tax Incurred (Benefit)	<u>157,291</u>	<u>(1,424,790)</u>
Net Loss	<u>\$ (31,380,333)</u>	<u>\$ (7,882,269)</u>

STATEMENT OF SURPLUS

	2023	2022
Balance at Beginning of Year	\$ 133,000,546	\$ 148,567,116
Net Loss for the Year	(31,380,333)	(7,882,269)
Unrealized Gain (Loss) resulting from change in difference between Book and Admitted Values of Investments:		
Affiliated Companies	147,290	(453,721)
Unaffiliated	4,732,356	(10,215,114)
Change in Net Deferred Income Taxes	5,366,570	2,019,508
Change in Nonadmitted Assets	576,313	(2,413,580)
Change in Obligations for:		
Postretirement Benefits	(1,290,451)	1,180,105
Pension Benefits	<u>(231,186)</u>	<u>2,198,501</u>
Net Decrease	<u>(22,079,441)</u>	<u>(15,566,570)</u>
Balance at End of Year	<u>\$ 110,921,105</u>	<u>\$ 133,000,546</u>

NOTES TO FINANCIAL STATEMENTS

PEKIN INSURANCE COMPANY
December 31, 2023

- A** Securities are carried in accordance with the requirements of the National Association of Insurance Commissioners (NAIC), eligible bonds at amortized values, and other bonds and marketable stocks at current market quotations.
- B** At December 31, 2023, securities included in the statement at \$2,810,501 were on deposit as required by law.
- C** The Company participates in a securities lending program which requires a minimum of 102 percent and 105 percent of the fair value of the domestic and foreign securities loaned at the outset of the contract as collateral. Cash collateral received is invested in short-term investments. At December 31, 2023, the cash collateral was \$9,325,907 while the market value of the securities on loan was \$9,089,576. The carrying value of the reinvested assets was \$9,446,457.
- D** A pension benefit obligation of \$862,991 is a non-admitted asset in the balance sheet and charged against surplus. This amount represents the required provision for the unfunded portion of the plan resulting from the difference between the pension obligation and the fair value of the pension assets at December 31, 2023. Fluctuations in this liability arise as the investment returns on plan assets and the assumed discount rates change.
- E** A postretirement liability of \$712,998 is included in the balance sheet and charged against surplus. This amount represents the required provision for the unfunded portion of the plan resulting from the difference between the postretirement obligation and the fair value of the postretirement assets at December 31, 2023. Fluctuations in this asset arise as the investment returns on plan assets and the assumed discount rates change.

PEKIN SELECT INSURANCE COMPANY

December 31, 2023
with Comparative Figures for 2022

STATEMENT OF ASSETS AND LIABILITIES

ASSETS	2023	2022
Investments:		
Bonds (Amortized Value)	\$ 6,127,412	\$ 5,340,306
Cash	<u>1,890,315</u>	<u>576,394</u>
Total Cash and Investments	8,017,727	5,916,700
Deferred Tax Asset	265	5,424
Receivable from The Farmers Automobile Insurance Association	-	10,539
Accrued Investment Income	<u>35,215</u>	<u>(1,467)</u>
Total Assets	<u>8,053,207</u>	<u>5,931,196</u>
LIABILITIES, CAPITAL & SURPLUS		
Federal Income Tax Payable	22,758	-
Payable to The Farmers Automobile Insurance Association	<u>3,998</u>	<u>-</u>
Total Liabilities	26,756	-
Capital Paid Up	8,000,000	6,000,000
Unassigned Surplus	<u>26,451</u>	<u>(68,804)</u>
Total Capital and Surplus	<u>8,026,451</u>	<u>5,931,196</u>
Total Liabilities, Capital, & Surplus	<u>\$ 8,053,207</u>	<u>\$ 5,931,196</u>

PEKIN SELECT INSURANCE COMPANY

Year Ended December 31, 2023
with Comparative Figures for 2022

STATEMENT OF INCOME

	2023	2022
Underwriting Operations:		
Underwriting Expenses Incurred	\$ <u> -</u>	\$ <u> -</u>
Net Gain from Underwriting Operations	<u> -</u>	<u> -</u>
Investment Operations:		
Income:		
Interest	176,011	79,473
Loss from Sale of Securities	<u>(24,553)</u>	<u>(2,535)</u>
Total Income	<u>151,458</u>	<u>76,938</u>
Deductions:		
Investment Expenses Incurred	<u>6,286</u>	<u>6,925</u>
Total Deductions	<u>6,286</u>	<u>6,925</u>
Net Income from Investment Operations	<u>145,172</u>	<u>70,013</u>
Net Income from Operations	145,172	70,013
Federal Income Tax Incurred	<u>44,758</u>	<u> -</u>
Net Income	\$ <u><u>100,414</u></u>	\$ <u><u>70,013</u></u>

PEKIN SELECT INSURANCE COMPANY

Year Ended December 31, 2023
with Comparative Figures for 2022

STATEMENT OF SURPLUS

	2023	2022
Balance at Beginning of Year	\$ 5,931,196	\$ 5,866,346
Net Income for the Year	100,414	70,013
Change in Net Deferred Income Taxes	(9,897)	(14,985)
Change in Nonadmitted Assets	4,738	9,822
Paid in Capital	<u>2,000,000</u>	<u>-</u>
Net Increase	<u>2,095,255</u>	<u>64,850</u>
Balance at End of Year	<u>\$ 8,026,451</u>	<u>\$ 5,931,196</u>

THE FARMERS AUTOMOBILE INSURANCE ASSOCIATION and PEKIN INSURANCE COMPANY and PEKIN SELECT INSURANCE COMPANY

Year Ended December 31, 2023
with Comparative Figures for 2022

CONSOLIDATED STATEMENT OF DIRECT PREMIUMS WRITTEN

LINES OF BUSINESS	2023	2022
<u>Personal Lines</u>		
Automobile:		
Auto Liability	\$ 83,662,931	\$ 81,519,675
Auto Physical Damage	86,818,346	75,716,083
Total Automobile	<u>170,481,277</u>	<u>157,235,758</u>
Property:		
Fire	2,957,620	4,612,465
Extended Coverage	4,058,412	5,992,258
Homeowners Multiple Peril	121,742,700	124,051,994
Inland Marine	3,403,504	3,617,801
Total Property	<u>132,162,236</u>	<u>138,274,518</u>
Umbrella	5,131,219	4,884,522
Total Personal Lines	<u>307,774,732</u>	<u>300,394,798</u>
<u>Commercial Lines</u>		
Automobile:		
Auto Liability	75,200,527	65,013,514
Auto Physical Damage	45,866,616	36,875,726
Total Automobile	<u>121,067,143</u>	<u>101,889,240</u>
Property:		
Fire	16,447,713	16,549,079
Extended Coverage	26,183,650	20,698,511
Businessowners Policy	34,309,879	28,346,642
Inland Marine	16,105,328	13,735,777
Total Property	<u>93,046,570</u>	<u>79,330,009</u>
Casualty:		
Umbrella	21,184,850	16,997,852
Other Liability	68,827,410	63,239,530
Workers Compensation	82,044,707	78,832,956
Total Casualty	<u>172,056,967</u>	<u>159,070,338</u>
Other:		
Burglary	487,264	346,820
Glass	22	15,955
Fidelity	394,622	422,268
Surety	602,155	569,738
Total Other	<u>1,484,063</u>	<u>1,354,781</u>
Total Commercial Lines	<u>387,654,743</u>	<u>341,644,368</u>
Grand Total All Lines	\$ <u>695,429,475</u>	\$ <u>642,039,166</u>

THE FARMERS AUTOMOBILE INSURANCE ASSOCIATION and PEKIN INSURANCE COMPANY and PEKIN SELECT INSURANCE COMPANY

December 31, 2023

CONSOLIDATED STATEMENT OF NET PREMIUMS EARNED AND LOSSES INCURRED

LINES OF BUSINESS	Premiums Earned	Losses Incurred	Ratio of Losses Incurred to Premiums Earned
<u>Personal Lines</u>			
Automobile:			
Auto Liability	\$ 85,025,763	\$ 90,797,212	106.79 %
Auto Physical Damage	80,768,432	72,986,093	90.36
Total Automobile	<u>165,794,195</u>	<u>163,783,305</u>	98.79
Property:			
Fire	4,213,932	679,287	16.12
Extended Coverage	4,098,700	6,371,865	155.46
Homeowners Multiple Peril	111,576,591	124,899,290	111.94
Inland Marine	3,481,401	434,172	12.47
Total Property	<u>123,370,624</u>	<u>132,384,614</u>	107.31
Umbrella	902,106	(634,351)	(70.32)
Total Personal Lines	<u>290,066,925</u>	<u>295,533,568</u>	101.88
<u>Commercial Lines</u>			
Automobile:			
Auto Liability	70,238,117	70,108,164	99.81
Auto Physical Damage	40,861,979	29,789,779	72.90
Total Automobile	<u>111,100,096</u>	<u>99,897,943</u>	89.92
Property:			
Fire	15,170,518	12,466,839	82.18
Extended Coverage	19,776,075	25,482,412	128.85
Businessowners Policy	22,407,714	23,749,418	105.99
Inland Marine	14,545,268	5,389,697	37.05
Total Property	<u>71,899,575</u>	<u>67,088,366</u>	93.31
Casualty:			
Umbrella	2,293,508	1,442,704	62.90
Other Liability	65,394,776	22,953,712	35.10
Workers Compensation	77,209,166	49,066,782	63.55
Total Casualty	<u>144,897,450</u>	<u>73,463,198</u>	50.70
Other:			
Burglary	427,453	4,170	0.98
Glass	8,464	3,805	44.95
Fidelity	414,943	1,097	0.26
Surety	601,479	(11,002)	(1.83)
Total Other	<u>1,452,339</u>	<u>(1,930)</u>	(0.13)
Total Commercial Lines	<u>329,349,460</u>	<u>240,447,577</u>	73.01
Grand Total All Lines	<u>\$ 619,416,385</u>	<u>\$ 535,981,145</u>	86.53 %

SUMMARY



The Board of Directors, Management, and Agency Force of The Farmers Automobile Insurance Association and its wholly owned subsidiary, Pekin Insurance Company as well as Pekin Select Insurance Company, are identical.

The year 2023 produced an underwriting loss. Surplus decreased to \$330.9 million with combined direct written premium of \$695 million.

Investment income increased slightly from last year. The investment portfolio of the companies is managed with the primary concept of emphasis on safety of investments with rate of return the secondary consideration.

Beginning January 1, 1966, the companies entered into a pooling agreement. All underwriting functions are managed by The Farmers Automobile Insurance Association with participation in the results on a basis of 80 percent to The Farmers Automobile Insurance Association, 20 percent to Pekin Insurance Company, and 0 percent to Pekin Select Insurance Company.

Independent rate filings are made on Automobile, Homeowners, Businessowners, and Fidelity and Surety business in all states in which we are licensed to do business. Independent rate filings are also made on all other lines of business in Illinois. Rate filings for the other lines of business in states other than Illinois are a combination of loss costs filed by the Insurance Services Office plus a provision for our underwriting expenses and commissions.

Workers Compensation policies are rated through the National Council of Compensation Insurance in Arizona, Illinois, Indiana, and Iowa and through the Wisconsin Compensation Rating Bureau in Wisconsin.

Both companies are members of The Property and Casualty Insurers Association of America and of the Illinois Insurance Association, among other trade associations.

Reinsurance treaties are in effect providing protection so that excessive underwriting losses can be absorbed with reasonable safety in keeping with the relative size and financial structure of the companies.

Pekin Life Insurance Company was organized in 1965 as a companion carrier to provide Life and Accident and Health facilities. The Company's health products include primarily Medicare Supplement. The agency force of Pekin Life Insurance Company is primarily the same as those of the sponsoring companies thus providing a full line of coverages to serve the needs of the multiple-line agent and the insuring public.

The Advisory Committee elected by the subscribers at their Annual Subscribers' Meeting in 2023 convened at intervals throughout the year 2023 to receive and act upon various matters concerning operation of The Farmers Automobile Insurance Association as submitted to it by the Attorney-In-Fact. The Advisory Committee received an audit report from Strohm Ballweg, LLP, covering operations of the Association for the year 2022. The Advisory Committee has arranged for and will receive an audit report covering operations of the Association for the year 2023 from the same firm.

The financial statements contained in this report are based on the Annual Statements as they will be filed with the Illinois Department of Insurance and other states in which the companies are authorized to do business.

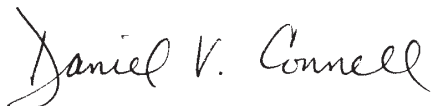
SUMMARY (continued)

The periodic examination of the affairs of The Farmers Automobile Insurance Association, Pekin Insurance Company, and Pekin Select Insurance Company was conducted by the Illinois Department of Insurance as of December 31, 2022. Their reports will be available for inspection at the Home Office once received. The change in surplus position for the year 2023 with respect to The Farmers Automobile Insurance Association is detailed below.

Net Loss from Underwriting	\$ (158,122,219)
Net Income from Investment	18,243,066
Other Income	<u>695,636</u>
Net Loss Before Tax	(139,183,517)
Federal Income Tax Incurred	<u>17,081</u>
Net Loss	(139,200,598)
Net Unrealized Capital Gain (Loss)	(8,522,584)
Change in Deferred Income Tax	21,323,312
Decrease in Nonadmitted Assets	26,067,677
Change in Obligations for:	
Postretirement Benefits	(5,161,824)
Pension Benefits	<u>(924,752)</u>
Decrease in Surplus Year 2023	(106,418,769)
Surplus to Policyholders, December 31, 2022	<u>437,304,310</u>
Surplus to Policyholders, December 31, 2023	<u>\$ 330,885,541</u>

It is recommended by the Attorney-In-Fact that the decrease in surplus for the year 2023 be subtracted from the December 31, 2022, unassigned policyholders' surplus fund for the benefit of all subscribers, waiving any accounting of such surplus change to individual members.

Respectfully submitted,
 Farmers Automobile Management Corporation
 Attorney-In-Fact



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



DIRECTORS



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



ANTHONY S. BURKHART,
Director



JAMES W. HEFTI,
Director



THOMAS C. HORNSTEIN,
Director



SHERI N. ROSER,
Director



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



BRIAN R. DENNISON,
Director



JOHN S. HELLER,
Director



BRIAN K. LEE,
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.



OUR VALUES

For our employees, agents, and policyholders, we strive to be...

QUICK. To communicate. To respond. To solve.

We don't waste the time of our customers, employees, or agents. As a company, we are upgrading to faster and more easily used systems and tools to better serve our customers and to allow the best work from our employees. And we recognize each other when we demonstrate "quick" in our daily work.

INNOVATIVE. In our products. Our technology. Our thinking.

The old way of thinking and doing isn't always the best way. Instead, we are always bringing out innovative new products and adopting new technology. We always value fresh, creative thinking.

NIMBLE. We challenge. We adapt. We bend, never break.

We don't get stuck in ruts. We are nimble. We change and adapt and adjust. We are versatile and flexible. We do what's needed to get the job done.

SENSIBLE. We listen. We weigh all sides. We are prudent.

We are able to think critically and evaluate all the available facts. We make sensible decisions based on all the facts.

RELIABLE. We are dependable. Steady. The calm inside the storm.

Who can count on us to be reliable? Our customers. Our employees. Our agents. Everyone.

TECH-SAVVY. We are efficient. Effective. Easy to do business with.

We can't be efficient and effective without being tech-savvy. It's an absolute requirement in today's world as we continually strive to make it easy for our agents and policyholders to do business with us.

RESPECTED. By our agents. Our policyholders. Our team. The industry.

When we live our mission, vision, and values, we earn respect.