The Farmers Automobile Insurance Association

Report on Audits of Financial Statements - Statutory Basis

For the Years Ended December 31, 2022 and 2021

The Farmers Automobile Insurance Association

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Strohm Ballweg

Independent Auditor's Report on the Statutory Financial Statements

To the Board of Directors
The Farmers Automobile Insurance Association
Pekin, Illinois

Report on the Audit of the Statutory Financial Statements

Opinions

We have audited the statutory financial statements of The Farmers Automobile Insurance Association (the Association), which are comprised of the statutory balance sheets as of December 31, 2022 and 2021, and the related statutory statements of income, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Association, 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 Association prepared these statutory financial statements using accounting practices prescribed or permitted by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between these statutory accounting practices described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material and pervasive.

Responsibilities of Management for the Statutory Financial Statements

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

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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 Association'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.

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

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

Strohm Ballweg, LLP

Madison, Wisconsin
May 3, 2023

The Farmers Automobile Insurance Association

Statutory Balance Sheets
December 31, 2022 and 2021

	2022	2021
Admitted Assets:		
Bonds	$ 507,497,243	$ 546,045,844
Preferred Stocks	1,261,725	-
Common Stocks:		
Affiliates	228,432,051	248,409,115
Other than Affiliates	89,510,955	111,425,142
Real Estate Occupied by the Association		
(Net of Accumulated Depreciation of $20,898,427 and $19,127,791)	34,363,958	35,891,860
Real Estate Held for Production of Income		
(Net of Accumulated Depreciation of $1,360,029 and $1,323,498)	652,885	932,150
Cash and Cash Equivalents	43,118,658	48,328,029
Receivable for Securities	-	305,145
Securities Lending Reinvested Collateral Assets	5,401,641	10,059,507
Other Invested Assets	132,076	168,543
Total Cash and Invested Assets	910,371,192	1,001,565,335
Investment Income Accrued	4,245,077	4,012,104
Uncollected Premiums	186,617,863	173,032,706
Current Federal Income Tax Recoverable	17,081	1,248,372
Net Deferred Tax Asset	33,640,186	28,017,196
EDP Equipment		
(Net of Accumulated Depreciation of $9,045,887 and $8,696,269)	96,855	450,704
Receivable from Affiliate and Subsidiaries	19,799,682	11,770,627
Recoverable from Reinsurers	7,952,746	7,242,946
Total Admitted Assets	$ 1,162,740,682	$ 1,227,339,990
Liabilities:		
Unpaid Losses, Net	$ 313,955,029	$ 323,299,188
Unpaid Loss Adjustment Expenses, Net	78,102,091	75,009,606
Unearned Premiums, Net	239,077,205	225,664,833
Commissions, Expenses, Fees, and Taxes	33,653,328	30,313,487
Drafts Outstanding	24,726,127	24,139,079
Advance Premiums	6,718,283	5,439,279
Payable for Securities Lending	5,401,641	10,059,507
Pension Benefit Plan Obligations	-	4,417,287
Post-Retirement Benefit Plan Obligations	-	2,410,599
Ceded Reinsurance Premiums Payable	3,209,723	2,115,626
Other Liabilities	20,592,945	22,154,896
Total Liabilities	725,436,372	725,023,387
Policyholders’ Surplus:		
Special Surplus Fund	872,500	872,500
Unassigned Surplus	436,431,810	501,444,103
Total Policyholders’ Surplus	437,304,310	502,316,603
Total Liabilities and Policyholders’ Surplus	$ 1,162,740,682	$ 1,227,339,990

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

The Farmers Automobile Insurance Association

Statutory Statements of Income and Changes in Policyholders' Surplus
Years Ended December 31, 2022 and 2021

	2022	2021
Underwriting Operations:		
Net Premiums Earned:		
Direct Premiums Written	$ 219,518,590	$ 220,696,963
Reinsurance Assumed	424,133,593	391,415,369
Reinsurance Ceded	(171,894,294)	(160,067,894)
Net Premiums Written	471,757,889	452,044,438
Change in Net Unearned Premiums	(13,410,375)	7,267,452
Total Net Premiums Earned	458,347,514	459,311,890
Losses and Expenses Incurred:		
Net Losses	301,190,728	257,781,615
Net Loss Adjustment Expenses	54,566,361	51,753,434
Net Underwriting Expenses	173,986,626	166,365,887
Net Losses and Expenses Incurred	529,743,715	475,900,936
Underwriting Loss	(71,396,201)	(16,589,046)
Net Investment Income	17,292,933	18,581,828
Net Realized Capital Gains	377,788	8,308,696
Other Income	1,214,091	1,123,291
Net Income (Loss) Before Federal Income Tax	(52,511,389)	11,424,769
Federal Income Tax Benefit	(157,687)	(2,544,231)
Net Income (Loss)	$ (52,353,702)	$ 13,969,000
Statement of Changes in Policyholders' Surplus:		
Policyholders' Surplus - Beginning of Year	$ 502,316,603	$ 433,005,400
Changes in Policyholders' Surplus:		
Net Income (Loss)	(52,353,702)	13,969,000
Net Unrealized Capital Gains (Losses):		
Bonds	(2,289,031)	-
Common Stock - Affiliates	(22,123,560)	11,557,358
Common Stock - Other than Affiliates	(26,508,184)	14,287,303
Non-Admitted Assets	13,948,124	32,103,178
Net Deferred Income Tax	10,799,617	(12,727,724)
Pension Benefit Plan Obligations	8,794,012	6,621,893
Post-Retirement Benefit Plan Obligations	4,720,431	3,500,195
Net Increase (Decrease)	(65,012,293)	69,311,203
Policyholders' Surplus - End of Year	$ 437,304,310	$ 502,316,603

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

The Farmers Automobile Insurance Association

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

	2022	2021
Cash from Operations:		
Premiums Collected, Net of Reinsurance	$ 461,739,372	$ 450,178,234
Net Investment Income	20,471,344	23,712,741
Miscellaneous Income	1,157,792	1,123,635
Total Cash Received	483,368,508	475,014,610
Benefit and Loss Related Payments	311,244,689	270,761,793
Commissions, Expenses Paid, and Other Deductions	189,547,024	186,718,113
Federal Income Taxes Recovered	(1,128,802)	(3,773,805)
Total Cash Disbursed	499,662,911	453,706,101
Net Cash from Operations	(16,294,403)	21,308,509
Cash from Investments:		
Proceeds from Investments Sold, Matured, or Repaid:		
Bonds	111,045,398	159,645,440
Stocks	22,427,293	19,325,148
Real estate	-	392,405
Miscellaneous	5,063,199	50,441
Total Investment Proceeds	138,535,890	179,413,434
Cost of Investments Acquired:		
Bonds	78,564,170	150,741,932
Stocks	27,561,133	20,963,980
Real Estate	-	1,904,552
Miscellaneous	-	4,891,246
Total Investments Acquired	106,125,303	178,501,710
Net Cash from Investments	32,410,587	911,724
Cash from Financing and Miscellaneous Sources:		
Other Cash Provided (Applied)	(21,325,555)	(153,821)
Net Cash from Financing and Miscellaneous Sources	(21,325,555)	(153,821)
Net Change in Cash and Cash Equivalents	(5,209,371)	22,066,412
Cash and Cash Equivalents at Beginning of Year	48,328,029	26,261,617
Cash and Cash Equivalents at End of Year	$ 43,118,658	$ 48,328,029

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

Notes to Financial Statements – Statutory Basis

1. Nature of Operations and Summary of Significant Accounting Practices

The Farmers Automobile Insurance Association (Association) is a regional Midwest property and casualty insurance company domiciled in the state of Illinois. The Association sells insurance through independent agents. Insurance products primarily include private passenger and commercial automobile, homeowners, workers' compensation, commercial multi-peril, general liability, and business owners' policies. Approximately 55 and 54 percent of the direct premium was written in the state of Illinois in 2022 and 2021, respectively.

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 Association 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 unpaid losses and loss adjustment expenses, 2) the assumptions regarding the other than temporary impairment (OTTI) 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.

Subsequent Events

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

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

A description of the significant accounting practices used by the Association 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. Investment grade bonds (i.e., NAIC designation 1 or 2) not backed by other loans are stated at amortized cost using a scientific method. Below investment grade bonds (i.e., NAIC designation 3 or higher) not backed by other loans are stated at the lesser of fair value or amortized cost with any change in the carrying value of the bond being treated as an unrealized gain (loss) and credited (charged) directly to surplus. Redeemable preferred stocks are stated at amortized cost; however, redeemable preferred stocks with an NAIC designation of three or lower are carried at the lower of amortized cost or fair value. Perpetual preferred stocks are carried at fair value. Common stocks of non-affiliated companies are carried at market value and common stocks of insurance company affiliates are accounted for using the statutory equity method in which undistributed earnings are reported as unrealized gains and losses.

Under GAAP, the Association's bonds would be classified as held-to maturity, trading, or available-for-sale. Bonds classified as held-to-maturity would be carried at cost or amortized cost, and bonds classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as a separate component of surplus for those securities classified as available-for sale. Under GAAP, the financial statements of wholly owned subsidiaries would be consolidated with those of the parent. Preferred stocks and common stocks of non-affiliated companies would be carried at fair value with the unrealized holding gains and losses reported in income.

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

Investment income is recorded when earned. Realized gains and losses on sale or maturity of investments are determined on the basis of specific identification. Aggregate unrealized capital gains and losses are credited or charged directly to unassigned surplus. Unrealized capital losses on investments that are determined to be other than temporary declines in value must be recognized as realized capital losses. The Association 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 Association'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.

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. Unpaid Losses and Loss Adjustment Expenses

The liabilities for unpaid losses and loss adjustment expenses are based upon management's estimates of reported and unreported losses determined on the basis of claim evaluation and past statistical experience. These liabilities are reported net of anticipated salvage and subrogation receivable. Reinsurance recoverables related to unpaid losses and loss adjustment expenses are netted with the respective liabilities; under GAAP, these reinsurance recoverables would be shown on a separate gross basis.

C. Policy Acquisition Costs

The costs of acquiring premium income are immediately charged against operations, whereas premium income is deferred over the periods covered by the policies. Under GAAP, costs which vary directly with the production of new and renewal business would be capitalized and amortized as premium is earned.

D. Deferred Tax Assets

Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities and are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Additionally, under statutory accounting practices, limitations are placed on the admissibility of deferred tax assets. All changes in 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.

E. Special Surplus Fund

The special surplus fund is an appropriation of unassigned surplus established to meet Wisconsin statutory requirements.

F. Non-Admitted Assets

Certain assets designated as "non-admitted assets", aggregating $69,198,408 and $83,146,532 at December 31, 2022 and 2021, respectively, are not recognized by statutory accounting practices. Non-admitted assets are excluded from the balance sheet, and the net change in such assets is charged or credited directly to unassigned surplus. Under GAAP, such assets would be included in the balance sheet net of accumulated amortization.

G. Premium Income Recognition

Premiums are earned over the terms of the related insurance policies and reinsurance contracts on a daily pro rata basis. Unearned premium reserves are established to cover the unexpired portion of premiums written and are computed on a pro rata basis. The Association determined that a premium deficiency reserve was not necessary for the years ended December 31, 2022 and 2021. The Association does not anticipate investment income as a factor in the calculation of a potential premium deficiency reserve.

H. Cash and Cash Equivalents

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

On December 31, 2022, the Association held on deposit $36,361,361 in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) limit. The Association does not believe it is exposed to any significant credit risks on these amounts.

I. 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.

J. Other

Real estate consists of home office properties and properties held for the production of income. Depreciation of real estate and other admitted and non-admitted assets is computed using the straight-line method over the estimated useful or class life.

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

The Association, at the approval of the Board of Directors, has a line of credit with The Northern Trust Company not to exceed $30 million. The Association did not borrow any amounts against this line of credit during 2022 or 2021.

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

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

2. Affiliated Entity Transactions

The Association and its wholly owned subsidiary, Pekin Insurance Company, owned 90.42 percent and 89.39 percent of Pekin Life Insurance Company (PLIC) at December 31, 2022 and 2021, respectively. Specifically, the Association owned 82.84 percent and 81.81 percent of PLIC as of these dates.

The Association, Pekin Insurance Company (PIC), and Pekin Select Insurance Company (PSIC) occupy the same building, and, along with PLIC, utilize many common facilities, management, administrative and office personnel, and services. Since 1966, the Association and Pekin Insurance Company have had a reinsurance pooling agreement under which underwriting income and expense and other administrative expenses are prorated to the Association (80 percent) and to Pekin Insurance Company (20 percent). In 2020, the reinsurance pooling agreement was amended to prorate underwriting income and expense and other administrative expenses to the Association (80 percent), PIC (20 percent), and PSIC (0 percent). Intercompany balances are paid periodically throughout the year based on estimates and settled within 45 days after year-end based on actual allocated expenses. The proration does not include provisions for federal income taxes or results of investment transactions.

The Association and PLIC allocate related expenses to one another. Intercompany balances are paid periodically throughout the year based on estimates and settled within 45 days after year-end based on actual allocated expenses. Such net expenses allocated to PLIC, and therefore not included in the accompanying statements of income, were $6,719,215 in 2022 and $6,605,247 in 2021.

In connection with structured settlements, the Association purchased 11 annuities from PLIC in 2022 and 5 annuities in 2021, of which the Association's claimant is the payee, but for which the Association is contingently liable. The single premium for these annuities totaled $686,468 and $368,132 in 2022 and 2021, respectively. The total reserve carried by PLIC at December 31, 2022 and 2021, was $9,783,925 and $9,616,745, respectively.

3. Investments

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

	2022			
Obligation	Admitted Value	Unrealized Gain	Unrealized Loss	Market Value
U.S. Government	$ 2,317,485	$ -	$ 93,891	$ 2,223,594
Other Government	2,000,000	-	109,891	1,890,109
U.S. States, Territories, and Possessions	6,132,059	36,873	163,791	6,005,141
U.S. Political Subdivisions	15,067,802	328,384	668,004	14,728,182
U.S. Special Revenue and Special Assessment	29,193,555	-	2,651,651	26,541,904
Industrial and Miscellaneous	293,304,143	554,024	30,473,973	263,384,194
Loan-Backed Securities	159,482,199	55,384	17,738,651	141,798,932
Total	$ 507,497,243	$ 974,665	$ 51,899,852	$ 456,572,056

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

	2021			
Obligation	Admitted Value	Unrealized Gain	Unrealized Loss	Market Value
U.S. Government	$ 3,827,426	$ 210,450	$ -	$ 4,037,876
Other Government	3,488,475	368,166	-	3,856,641
U.S. States, Territories, and Possessions	3,521,210	263,232	14,023	3,770,419
U.S. Political Subdivisions	15,290,122	1,502,328	19,976	16,772,474
U.S. Special Revenue and Special Assessment	29,569,031	1,697,927	75,344	31,191,614
Industrial and Miscellaneous	326,832,827	23,711,655	1,156,208	349,388,274
Loan-Backed Securities	163,516,753	3,169,921	1,174,371	165,512,303
Total	$ 546,045,844	$ 30,923,679	$ 2,439,922	$ 574,529,601

The admitted value of the loan-backed securities includes $128,242 and $160,372 of U.S. Government Guaranteed Securities for 2022 and 2021, respectively.

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

	Admitted Value	Market Value
Due in One Year or Less	$ 987,937	$ 971,471
Due After One Year Through Five Years	107,832,344	101,698,147
Due After Five Years Through Ten Years	169,055,413	150,928,978
Due After Ten Years	229,621,549	202,973,460
Total	$ 507,497,243	$ 456,572,056

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

	2022			
Preferred Stocks	Admitted Value	Unrealized Gain	Unrealized Loss	Market Value
Redeemable Preferred Stock	$ 1,261,725	$ 13,241	$ 45,636	$ 1,229,330

The Association did not have investments in preferred stock as of December 31, 2021.

The adjusted cost, unrealized gain and loss, and statement value of investments in common stock as of December 31, 2022, are as follows:

	2022			
Common Stocks	Adjusted Cost	Unrealized Gain	Unrealized Loss	Statement Value
Affiliates	$ 89,651,008	$ 138,781,043	$ -	$ 228,432,051
Other Than Affiliates	68,401,008	26,531,522	5,421,575	89,510,955
Total Common Stocks	$ 158,052,016	$ 165,312,565	$ 5,421,575	$ 317,943,006

The adjusted cost, unrealized gain and loss, and statement value of investments in common stock as of December 31, 2021, are as follows:

	2021			
Common Stocks	Adjusted Cost	Unrealized Gain	Unrealized Loss	Statement Value
Affiliates	$ 87,514,994	$ 160,894,121	$ -	$ 248,409,115
Other Than Affiliates	63,807,010	48,907,016	1,288,884	111,425,142
Total Common Stocks	$ 151,322,004	$ 209,801,137	$ 1,288,884	$ 359,834,257

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

	Less Than 12 Months		12 Months or More		Total	
Obligation	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
U.S. Government	$ 2,223,594	$ 93,891	$ -	$ -	$ 2,223,594	$ 93,891
Other Government	1,890,109	109,891	-	-	1,890,109	109,891
U.S. States, Territories, and Possessions	2,500,371	76,425	837,634	87,366	3,338,005	163,791
U.S. Political Subdivisions	9,521,980	429,205	861,201	238,799	10,383,181	668,004
U.S. Special Revenue and Special Assessment	21,633,472	1,713,841	4,908,162	937,810	26,541,634	2,651,651
Industrial and Miscellaneous	194,650,750	21,329,597	40,223,448	9,144,376	234,874,198	30,473,973
Loan-Backed Securities	81,380,682	7,012,786	58,616,280	10,725,865	139,996,962	17,738,651
Total Bonds	$ 313,800,958	$ 30,765,636	$ 105,446,725	$ 21,134,216	$ 419,247,683	$ 51,899,852

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

	Less Than 12 Months		12 Months or More		Total	
Obligation	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
U.S. States, Territories, and Possessions	$ 910,977	$ 14,023	$ -	$ -	$ 910,977	14,023
U.S. Political Subdivisions	1,080,024	19,976	-	-	1,080,024	19,976
U.S. Special Revenue and Special Assessment	5,837,573	75,344	-	-	5,837,573	75,344
Industrial and Miscellaneous	48,787,316	791,475	7,049,612	364,733	55,836,928	1,156,208
Loan-Backed Securities	75,554,025	1,174,371	-	-	75,554,025	1,174,371
Total Bonds	$ 132,169,915	$ 2,075,189	$ 7,049,612	$ 364,733	$ 139,219,527	$ 2,439,922

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

	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Redeemable Preferred Stock	$ 1,229,330	$ 45,636	$ -	$ -	$ 1,229,330	$ 45,636
Common Stock - Unaffiliated	33,300,708	3,243,745	8,598,027	2,177,830	41,898,735	5,421,575
Total Stocks With Unrealized Losses	$ 34,530,038	$ 3,289,381	$ 8,598,027	$ 2,177,830	$ 43,128,065	$ 5,467,211

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

	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Common Stock - Unaffiliated	$ 11,149,929	$ 645,235	$ 8,432,802	$ 643,649	$ 19,582,731	$ 1,288,884
Total Stocks With Unrealized Losses	$ 11,149,929	$ 645,235	$ 8,432,802	$ 643,649	$ 19,582,731	$ 1,288,884

The components of net realized capital gains are as follows:

	2022	2021
Gains on Disposals	$ 6,217,666	$ 11,211,674
Losses on Disposals	(5,112,212)	(415,426)
OTTI	(467,491)	-
Total	637,963	10,796,248
Tax Expense	(260,175)	(2,487,552)
Net Realized Capital Gains	$ 377,788	$ 8,308,696

Bonds carried at $2,016,211 and $2,016,388 at December 31, 2022 and 2021, respectively, were on deposit with the Illinois Department of Insurance as required by law. Bonds carried at $301,273 and $308,025 were on deposit with the Nevada Department of Insurance at December 31, 2022 and 2021, respectively, as required by law.

Securities Lending

The Association lends securities to agreed upon borrowers through an agreement with its custodian. The Association requires initial collateral from the borrower in an amount no less than 102 percent of the fair value of domestic securities and no less than 105 percent of the fair value of foreign securities loaned at the outset of the contract. All collateral so received is held either in the physical custody of the custodian or for the account of the custodian by their agent or a central bank. The offsetting collateral liability is included in Payable for Securities Lending. At December 31, 2022 and 2021, the amount of securities loaned was $5,294,231 and $9,825,336, respectively, and the related collateral was $5,436,462 and $10,056,317, respectively. At December 31, 2022, collateral assets valued at $219,419 had maturity dates beyond one year.

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

	2022	2021
Maturity Date	Fair Value	Fair Value
Open	$ 2,517,524	$ 4,938,431
30 Days or Less	584,033	7,248
31 to 60 Days	316,065	580,660
61 to 90 Days	223,077	206,976
Greater Than 90 Days	939,949	2,320,226
Total Bond Collateral Received	4,580,648	8,053,541
Total Equity Collateral Received	855,814	2,002,776
Total Collateral Received	$ 5,436,462	$ 10,056,317

The Association participates in a liquid asset portfolio. At December 31, 2022 and 2021, the aggregate value of the reported reinvested collateral was $5,401,641 and $10,059,507, and the related fair value was $5,241,440 and $10,307,042, respectively.

As of December 31, 2022 and 2021, the Association had $5,924,569 and $11,736,126, respectively, in gross restricted assets related to securities lending agreements. This amount represents collateral that has been accepted from the borrower.

4. Fair Value Measurement

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Association 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 Association's investment manager and are determined using quoted market prices from an orderly market at the reporting date for those or similar investments.

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

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

	2022			
Description	Level 1	Level 2	Level 3	Total
Bonds -				
Industrial and Miscellaneous	$ -	$ 19,518,235	$ -	$ 19,518,235
Common Stock -				
Other Than Affiliates	89,510,955	-	-	89,510,955
Cash Equivalents	7,367,558	-	-	7,367,558

	2021			
Description	Level 1	Level 2	Level 3	Total
Common Stock -				
Other Than Affiliates	$ 111,425,142	$ -	$ -	$ 111,425,142
Cash Equivalents	6,632,501	-	-	6,632,501

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

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

	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	$ 456,572,056	$ 507,497,243	$ 2,223,594	$ 454,348,462	$ -
Redeemable Preferred Stock	1,229,331	1,261,725	-	1,229,331	-
Common Stock:					
Affiliates	228,432,051	228,432,051	-	95,430,505 *	133,001,546 *
Other Than Affiliates	89,510,955	89,510,955	89,510,955	-	-
Cash Equivalents	7,367,558	7,367,558	7,367,558	-	-
Agency Loans Receivable	132,076	132,076	-	-	132,076

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

	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	$ 574,529,601	$ 546,045,844	$ 4,037,876	$ 569,991,725	$ 500,000
Common Stock:					
Affiliates	248,409,115	248,409,115	-	99,841,999 *	148,567,116 *
Other Than Affiliates	111,425,142	111,425,142	11,425,142	-	-
Cash Equivalents	6,632,501	6,632,501	6,632,501	-	-
Agency Loans Receivable	168,543	168,543	-	-	168,543

*Values are determined using the statutory equity method and are not stated at fair market value.

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

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes.
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 primarily of Political Subdivisions, Special Revenue, Industrial and Miscellaneous, and Loan-Backed securities.
Common Stock: Comprised of common stock of affiliate which is not actively traded and is recorded at the statutory equity method.
Preferred Stock: Comprised of actively traded, exchange-listed redeemable preferred stock and is recorded at amortized cost.

Level 3 Measurements

Common Stock: Comprised of common stock of affiliates recorded using the statutory equity method.
Agency Loans Receivable: Comprised of uncollateralized loans, recorded at unpaid principal balance.
Bonds: Comprised primarily of Industrial and Miscellaneous securities.

5. Liability for Unpaid Losses and Loss Adjustment Expenses

Activity in the liability for loss and loss adjustment expense reserves is summarized as follows:

	2022	2021
Balance at January 1	$ 450,519,892	$ 502,675,316
Less Reinsurance Recoverable	(52,211,098)	(90,062,902)
Net Balance at January 1	398,308,794	412,612,414
Incurred Related to:		
Current Year	363,484,469	353,852,043
Prior Years	(7,727,380)	(44,316,994)
Total Incurred	355,757,089	309,535,049
Paid Related to:		
Current Year	195,102,056	183,114,284
Prior Years	166,906,707	140,724,385
Total Paid	362,008,763	323,838,669
Net Balance at December 31	392,057,120	398,308,794
Plus Reinsurance Recoverable	37,719,841	52,211,098
Balance at December 31	$ 429,776,961	$ 450,519,892

The provision for incurred loss and loss adjustment expenses attributable to insured events in prior years decreased by $7,727,380 and $44,316,994 in 2022 and 2021, respectively. In both 2022 and 2021, incurred losses and loss adjustment expenses showed favorable development. The Association conducts regular analyses of reserves and revises estimates accordingly to reflect changes in trends and development.

Estimates of anticipated salvage and subrogation recoveries on losses and loss adjustment expenses have been recorded as a reduction to the liabilities for unpaid loss and unpaid loss adjustment expenses amounting to $16,154,781 and $15,222,192 at December 31, 2022 and 2021, respectively.

6. Reinsurance

The Association has reinsurance treaties in place for its property and casualty insurance business to reduce exposure to large losses. Although reinsurance does not relieve the Association 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 Association periodically evaluates its retention levels correlated to specific types of property and casualty insurance policies. In 2022 and 2021, the Association ceded $53,954,822 and $47,056,785, respectively, of written premium to third parties.

The Association is also a party to an intercompany pooling agreement with Pekin Insurance Company and Pekin Select Insurance Company. All direct business written by the Companies is subject to the intercompany pool. In 2022 and 2021, under this agreement, underwriting income and expenses and other administrative expenses are prorated to the Association (80 percent), Pekin Insurance Company (20 percent), and Pekin Select Insurance Company (0 percent).

The Association had unsecured aggregate amounts recoverable for reinsurance on paid and unpaid losses and unearned premium in excess of three percent of policyholders' surplus for Pekin Insurance Company ($157,783,579), and General Reinsurance Company ($30,821,191).

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

Pension Benefits

The Association and its affiliates participate in a trusteed noncontributory defined benefit pension plan for certain employees. The Association and its affiliates adopted an amendment to freeze participation in the Plan for employees hired after January 1, 2013. The Association and its affiliates also adopted an amendment to freeze accrued benefits for all non-grandfathered participants. Non-grandfathered participants are participants who had not attained 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. Effective August 24, 2020, the Association 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 percentage of the projected benefit obligation.

Post-Retirement Benefits

In addition to providing pension benefits, the Association 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 Association.

Expected Cash Flows

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

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

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

Obligations, Assets, and Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The retirement plan assets are held in a deposit administration contract and equity securities. The Trustees of the Farmers Automobile Insurance Association Retirement Plan maintain a deposit administration contract with Pekin Life Insurance 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 Association and its affiliates was $5,373,405 and $22,706,104 as of December 31, 2022 and 2021, respectively, or 10 percent and 32 percent of total plan assets. Equity securities comprise the remaining plan assets. At December 31, 2022 and 2021, equity securities, cash, and cash equivalents amounted to $47,743,200 and $48,718,174, respectively, or 90 percent and 68 percent of total plan assets. In 2022 and 2021, the Trustees liquidated $0 and $20,000,000 of equity securities and transferred these funds into the deposit administration contract.

The expected long-term rate of return on plan assets was selected based upon current market conditions, Association experience, and future Association 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 Pekin Life Insurance 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 Pekin Life Insurance 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. At December 31, 2022 and 2021, the fair value of the contract was $22,139,060 and $22,752,992, respectively. No contributions were made in 2022 and 2021 into the deposit administration contract.

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

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

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

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

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

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

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

Director Retirement Plan

Pursuant to a retirement plan for directors elected prior to 2004, eligible directors will receive a retirement benefit equal to the annual retainer in effect on the directors' retirement dates. The Association's benefits paid were $60,250 and $48,750 in 2022 and 2021, respectively. The Association's liability for the Directors' retirement benefit was $528,942 and $598,166 at December 31, 2022 and 2021, respectively. In December 2021, the Board adopted an additional director retirement plan for eligible directors not in the aforementioned director retirement plan. Benefits paid were $99,203 and $0 in 2022 and 2021, respectively. The liability for the director retirement benefit under the additional plan was $1,630,942 and $1,599,242 at December 31, 2022 and 2021, respectively.

401(k) Savings Plan

The Association 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. Employer contributions of $2,625,205 and $2,422,912, respectively, were made to this plan for all participants in 2022 and 2021.

Deferred Compensation

The Association maintains a deferred compensation plan for the directors. This plan allows for voluntary deferral of all or any part of compensation to which a director might otherwise be entitled to as directors' fees, in accordance with the plan provisions. During 2022 and 2021, $26,000 and $11,500 of directors' fees were deferred in 2022 and 2021, respectively. The liability for directors' deferred compensation was $479,175 and $481,404 at December 31, 2022 and 2021, respectively.

8. Federal Income Taxes

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

	2022	2021
Computed Expected Federal Income Tax (Benefit) Expense	$ (10,972,755)	$ 2,921,587
Increase (Decrease) in Taxes Resulting from:		
Tax-Exempt Interest	(167,929)	(287,805)
Dividends Received Deduction	(77,011)	(99,959)
Unearned Premium	563,320	(305,233)
Pension Benefits	(662,300)	(921,397)
Post-Retirement Benefits	127,252	223,060
Loss Reserve Discounting	(640,081)	(65,128)
Depreciation	3,208,766	342,514
TCJA Reserve Adjustment	458,388	-
Federal Net Operating Loss Carryforward	7,706,418	(2,163,851)
All Others	558,420	299,533
Federal Income Tax Benefit	102,488	(56,679)
Tax on Capital Gains	(260,175)	2,487,552
Tax Benefit	$ (157,687)	$ (2,544,231)

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

	2022		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 49,590,158	$ 98,173	$ 49,688,331
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	49,590,158	98,173	49,688,331
Deferred Tax Assets Non-Admitted	5,176,628	-	5,176,628
Subtotal Net Admitted Deferred Tax Asset	44,413,530	98,173	44,511,703
Deferred Tax Liabilities	9,099,287	1,772,230	10,871,517
Net Admitted Deferred Tax Assets	$ 35,314,243	$ (1,674,057)	$ 33,640,186

	2021		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 47,087,861	$ 5,709	$ 47,093,570
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	47,087,861	5,709	47,093,570
Deferred Tax Assets Non-Admitted	-	-	-
Subtotal Net Admitted Deferred Tax Asset	47,087,861	5,709	47,093,570
Deferred Tax Liabilities	10,759,780	8,316,594	19,076,374
Net Admitted Deferred Tax Assets	$ 36,328,081	$ (8,310,885)	$ 28,017,196

	Change		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 2,502,297	$ 92,464	$ 2,594,761
Statutory Valuation Allowance	-	-	-
Adjusted Gross Deferred Tax Assets	2,502,297	92,464	2,594,761
Deferred Tax Assets Non-Admitted	5,176,628	-	5,176,628
Subtotal Net Admitted Deferred Tax Asset	(2,674,331)	92,464	(2,581,867)
Deferred Tax Liabilities	(1,660,493)	(6,544,364)	(8,204,857)
Net Admitted Deferred Tax Assets	$ (1,013,838)	$ 6,636,828	$ 5,622,990

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

	2022		
	Ordinary	Capital	Total
Admissible Under Paragraph:			
11a. Ability to Recover Taxes Paid in Prior Years	$ -	$ -	$ -
11b. Expected to be Realized, After Application of Threshold Limitations	33,640,186	-	33,640,186
11c. Offset of Deferred Tax Liabilities	10,871,517	-	10,871,517
Total Admitted Deferred Tax Assets	$44,511,703	$ -	$ 44,511,703

	2021		
	Ordinary	Capital	Total
Admissible Under Paragraph:			
11a. Ability to Recover Taxes Paid in Prior Years	$ -	$ -	$ -
11b. Expected to be Realized, After Application of Threshold Limitations	36,337,611	5,709	36,343,320
11c. Offset of Deferred Tax Liabilities	10,750,250	-	10,750,250
Total Admitted Deferred Tax Assets	$47,087,861	$ 5,709	$ 47,093,570

	Change		
	Ordinary	Capital	Total
Admissible Under Paragraph:			
11a. Ability to Recover Taxes Paid in Prior Years	$ -	$ -	$ -
11b. Expected to be Realized, After Application of Threshold Limitations	(2,697,425)	(5,709)	(2,703,134)
11c. Offset of Deferred Tax Liabilities	121,267	-	121,267
Total Admitted Deferred Tax Assets	$ (2,576,158)	$ (5,709)	$ (2,581,867)

	2022	2021
Ratio Used to Determine Recovery Period and Threshold Limitation Amount Under Paragraph 11b	497%	585%
Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation Under Paragraph 11b	$ 415,840,812	$ 489,392,662

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

	2022	2021	Change
Current Income Tax:			
Federal	$ (157,687)	$ (2,591,992)	$ 2,434,305
Foreign	-	47,761	(47,761)
Subtotal	(157,687)	(2,544,231)	2,386,544
Federal Tax on Capital Gains	260,175	2,487,552	(2,227,377)
Federal Income Tax Expense (Benefit)	$ 102,488	$ (56,679)	$ 159,167
Deferred Tax Assets:			
Ordinary:			
Discounting of Unpaid Losses	$ 5,746,776	$ 6,386,856	$ (640,080)
Unearned Premium Reserve	10,041,243	9,477,923	563,320
Advance Premium	202,758	183,341	19,417
Compensation and Benefits Accrual	917,934	684,172	233,762
Pension Accrual	-	39,064	(39,064)
Post-Retirement/Health Care Accrual	4,002,777	3,873,477	129,300
Transition Liability for Pension Benefits	-	927,630	(927,630)
Transition liability for Post-Retirement Benefits	-	506,226	(506,226)
Net Operating Loss Carryforward	14,695,726	7,059,205	7,636,521
Tax Credit Carryforward	179,520	-	179,520
Non-Admitted Assets	12,460,961	16,400,015	(3,939,054)
Other	1,440,636	1,549,952	(109,316)
Total Ordinary Deferred Tax Assets	49,688,331	47,087,861	2,600,470
Non-Admitted	5,176,628	-	5,176,628
Admitted Ordinary Deferred Tax Assets	44,511,703	47,087,861	(2,576,158)
Admitted Capital Deferred Tax Assets	-	5,709	(5,709)
Admitted Deferred Tax Assets	44,511,703	47,093,570	(2,581,867)
Deferred Tax Liabilities:			
Ordinary:			
Salvage and Subrogation	176,298	168,984	7,314
TCJA Reserve Adjustment	1,375,164	1,833,552	(458,388)
Fixed Assets Bonus Depreciation	41,254	51,816	(10,562)
Accrued Pension Prepaid Asset	623,236	-	623,236
Pension Benefit Prepaid Asset	919,112	-	919,112
Postretirement Benefit Prepaid Asset	485,065	-	485,065
Accelerated Deduction of Software Amortization	5,398,245	8,607,011	(3,208,766)
Other	80,913	98,418	(17,505)
Total Ordinary Deferred Tax Liabilities	9,099,287	10,759,781	(1,660,494)
Capital:			
Unrealized Gains	1,772,230	8,316,593	(6,544,363)
Total Capital Deferred Tax Liabilities	1,772,230	8,316,593	(6,544,363)
Total Deferred Tax Liabilities	10,871,517	19,076,374	(8,204,857)
Net Deferred Tax Assets	$ 33,640,186	$ 28,017,196	$ 5,622,990

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

There are no Federal income taxes which would be available for recoupment in the event of future tax losses.

As of December 31, 2022 and 2021, the Association had $69,979,650 and $33,615,264 net operating loss carryforwards, respectively. As of December 31, 2022, and 2021, the Association had no foreign tax credit carryforwards.

In the opinion of management, the liability for federal income taxes is sufficient to cover computed taxes for the current and prior years that are currently payable. The Association and its affiliates file a unitary tax return with the state of Illinois. In 2022 and 2021, there was no state income tax expense included in underwriting expenses.

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

9. Structured Settlements

The Association has purchased annuities of which the claimant is payee, but for which the Association is contingently liable. The aggregate amount of annuities from all life insurers was $9,395,620 and $9,391,470 at December 31, 2022 and 2021, respectively.

10. Capital and Surplus

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

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

	2022	2021
Net Unrealized Capital Gains	$ 157,591,479	$ 208,512,254
Non-Admitted Assets	(69,198,408)	(83,146,532)

SUPPLEMENTARY FINANCIAL INFORMATION

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
The Farmers Automobile Insurance Association
Pekin, Illinois

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

Strohm Ballweg, LLP

Madison, Wisconsin
May 3, 2023

The Farmers Automobile Insurance Association

Summary Investment Schedule
December 31, 2022

		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		Amount	%	Amount	%
1. Long-Term Bonds:					
01.01	U.S. governments	$ 2,445,727	0.3	$ 2,445,727	0.3
01.02	All other governments	2,000,000	0.2	2,000,000	0.2
01.03	U.S. states, territories and possessions, etc. guaranteed	6,132,059	0.7	6,132,059	0.7
01.04	U.S. political subdivisions of states, territories, and possessions, guaranteed	15,067,802	1.7	15,067,802	1.7
01.05	U.S. special revenue and special assessment obligations, etc. non-guaranteed	84,319,761	9.3	84,319,761	9.3
01.06	Industrial and miscellaneous	397,531,894	43.7	397,531,894	43.7
01.07	Hybrid securities	-	-	-	-
01.08	Parent, subsidiaries and affiliates	-	-	-	-
01.09	SVO identified funds	-	-	-	-
01.10	Unaffiliated Bank loans	-	-	-	-
01.11	Unaffiliated certificates of deposit	-	-	-	-
01.12	Total long-term bonds	507,497,243	55.9	507,497,243	55.9
2. Preferred stocks:					
02.01	Industrial and miscellaneous (Unaffiliated)	1,261,725	0.1	1,261,725	0.1
02.02	Parent, subsidiaries and affiliates	-	-	-	-
02.03	Total preferred stocks	1,261,725	0.1	1,261,725	0.1
3. Common stocks:					
03.01	Industrial and miscellaneous Publicly traded (Unaffiliated)	83,752,425	9.2	83,752,425	9.2
03.02	Industrial and miscellaneous Other (Unaffiliated)	5,462,688	0.6	5,462,688	0.6
03.03	Parent, subsidiaries and affiliates Publicly traded	-	-	-	-
03.04	Parent, subsidiaries and affiliates Other	228,432,051	25.1	228,432,051	25.1
03.05	Mutual funds	-	-	-	-
03.06	Unit investment trusts	-	-	-	-
03.07	Closed-end funds	-	-	-	-
03.08	Exchange traded funds	295,842	0.1	295,842	0.1
03.09	Total common stocks	317,943,006	35.0	317,943,006	35.0
4. Mortgage loans:					
04.01	Farm mortgages	-	-	-	-
04.02	Residential mortgages	-	-	-	-
04.03	Commercial mortgages	-	-	-	-
04.04	Mezzanine real estate loans	-	-	-	-
04.05	Total valuation allowance	-	-	-	-
04.06	Total mortgage loans	-	-	-	-
5. Real estate:					
05.01	Properties occupied by company	34,363,958	3.8	34,363,958	3.8
05.02	Properties held for production of income	652,885	0.1	652,885	0.1
05.03	Properties held for sale	-	-	-	-
05.04	Total real estate	35,016,843	3.9	35,016,843	3.9
6. Cash, cash equivalents and short-term investments:					
06.01	Cash	35,751,100	3.9	35,751,100	3.9
06.02	Cash equivalents	7,367,558	0.8	7,367,558	0.8
06.03	Short-term investments	-	-	-	-
06.04	Total cash, cash equivalents and short-term investments	43,118,658	4.7	43,118,658	4.7
7. Contract loans		-	-	-	-
8. Derivatives		-	-	-	-
9. Other invested assets		-	-	-	-
10. Receivable for securities		-	-	-	-
11. Securities lending		5,401,641	0.4	5,401,641	0.4
12. Other invested assets		132,076	-	132,076	-
13. Total invested assets		$ 910,371,192	100.0	$ 910,371,192	100.0

See Independent Auditor’s Report on the Supplementary Information

The Farmers Automobile Insurance Association

Investment Risks Interrogatories
December 31, 2022

1. State the reporting entity's total admitted assets as reported on Page 2 of the annual statement. $ 1,162,740,682

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

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	PEKIN LIFE INSURANCE CO	Affiliated Common Stock	$ 133,000,546	11.4%
2.02	PEKIN INSURANCE CO	Affiliated Common Stock	95,430,505	8.2%
2.03	FANNIE MAE	Bond	30,086,926	2.6%
2.04	FREDDIE MAC	Bond	19,845,017	1.7%
2.05	ALPHABET INC	Bond/Stock	5,630,340	0.5%
2.06	MICROSOFT CORP	Bond/Stock	4,750,313	0.4%
2.07	UNITEDHEALTH GROUP INC	Bond/Stock	4,131,075	0.4%
2.08	WISCONSIN HEALTH & EDUCTAIONAL FALICITY	Bond	3,819,756	0.3%
2.09	MASTERCARD INCORPORTAED	Bond/Stock	3,748,447	0.3%
2.10	MSBAM 15C25 A5 SR FIX	Bond	3,528,989	0.3%

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 364,710,895	31.4%	3.07	P/RP-1	$ 1,261,725	0.1%
3.02	NAIC-2	123,268,113	10.6%	3.08	P/RP-2	-	0.0%
3.03	NAIC-3	18,942,235	1.6%	3.09	P/RP-3	-	0.0%
3.04	NAIC-4	576,000	0.0%	3.10	P/RP-4	-	0.0%
3.05	NAIC-5	-	0.0%	3.11	P/RP-5	-	0.0%
3.06	NAIC-6	-	0.0%	3.12	P/RP-6	-	0.0%

4. Assets held in foreign investments:

		1	2
4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?	Yes [ ]	No [X]
4.02	Total admitted assets held in foreign investments	$ 84,692,520	7.3%

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

		1	2
5.01	Countries rated NAIC-1	$ 84,010,508	7.2%
5.02	Countries rated NAIC-2	682,012	0.1%
5.03	Countries rated NAIC-3 or below	-	0.0%

The Farmers Automobile Insurance Association

Investment Risks Interrogatories
December 31, 2022

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

		1	2
Countries designated NAIC-1:			
6.01	Country: Caymen Islands (The)	$ 29,928,179	2.6%
6.02	Country: United Kingdom of Great Britain & Nothern Ireland	15,383,904	1.3%
Countries designated NAIC-2:			
6.03	Country: Mexico	682,012	0.1%
6.04	Country:	-	0.0%
Countries designated NAIC-3 or below:			
6.05	Country:	-	0.0%
6.06	Country:	-	0.0%

7. Aggregate unhedged foreign currency exposure: None

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

9. Largest unhedged foreign currency exposures by county, categorized by the countries' NAIC sovereign designation:

   Countries designated NAIC-1: None

   Countries designated NAIC-2: None

   Countries designated NAIC-3 or below: None

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

	1 Issuer	2 NAIC Rating	3	4
10.01	HSBC HOLDINGS PLC	1.D	$ 3,002,476	0.3%
10.02	BARCLAYS PLC	1.D	2,242,509	0.2%
10.03	MACQUARIE GROUP LIMITED	1.A	2,000,000	0.2%
10.04	NATWEST GROUP PLC	1.D	2,000,000	0.2%
10.05	WESTPAC BANKING CORPORATIC	1.A	1,999,221	0.2%
10.06	LSEGA FINANCING PLC	1.D	1,998,666	0.2%
10.07	JDE PEET'S N.V.	1.A	1,992,760	0.2%
10.08	TYCO ELECTRONICS GROUP S.A.	1.A	1,991,993	0.2%
10.09	BNP PARIBAS SA	1.C	1,775,000	0.2%
10.10	ABN AMRO BANK N.V.	1.A	1,509,470	0.1%

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

    Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets; therefore, detail not required for Interrogatory 11. Yes [X] No [ ]

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

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

The Farmers Automobile Insurance Association

Investment Risks Interrogatories
December 31, 2022

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

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

	1 Issuer	2	3
13.02	PEKIN LIFE INSURANCE COMPANY	$ 133,000,546	11.4%
13.03	PEKIN INSURANCE CO	95,430,505	8.2%
13.04	MICROSOFT CORPORATION	3,257,235	0.3%
13.05	ALPHABET INC	3,150,268	0.3%
13.06	APPLE INC.	3,110,004	0.3%
13.07	UNITEDHEALTH GROUP INCORPORATED	1,636,135	0.1%
13.08	VISA INC.	1,450,996	0.1%
13.09	ANALOG DEVICES INC.	1,445,760	0.1%
13.10	S&P GLOBAL INC.	1,309,950	0.1%
13.11	AMAZON.COM INC.	1,238,160	0.1%

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

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

	1	2	3
14.02	Agggregate statement value of investments held in nonaffiliated, privately placed equities	$ 29,003,712	2.5%
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03	BLACKROCK CAPITAL INVESTMENT CORPORATION	2,500,000	0.2%
14.04	CENTERPOINT PROPERTIES TRUST	2,000,000	0.2%
14.05	CLIFFWATER CORPORATE LENDING FUND	2,000,000	0.2%

Ten largest fund managers:

	Fund Manager	Total Invested 1	Diversified 2	Nondiversified 3
14.06	NORTHERN ISNT GOVT-SHR	$ 7,367,558	$ 7,367,558	$ -
14.07		-	-	-
14.08		-	-	-
14.09		-	-	-
14.10		-	-	-
14.11		-	-	-
14.12		-	-	-
14.13		-	-	-
14.14		-	-	-
14.15		-	-	-

The Farmers Automobile Insurance Association

Investment Risks Interrogatories
December 31, 2022

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

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

16. With respect to mortgage loans reported in Schedule B, state the amounts and percentages of the reporting entity's total admitted assets held:

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

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

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

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

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

		At Year-End		(Unaudited) 1st Qtr	At End of Each Quarter (Unaudited) 2nd Qtr	(Unaudited) 3rd Qtr
		1	2	3	4	5
20.01	Securities lending (do not include assets held as collateral for such transactions)	$ 5,294,231	0.5%	$ 9,988,974	$ 11,080,775	$ 12,336,634

21. State the amounts and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors: None

22. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for collars, swaps, and forwards: None

23. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for futures contracts: None

The Farmers Automobile Insurance Association

Reinsurance Interrogatories
December 31, 2022

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

Yes [ ] No [X]

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

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

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

c. Aggregate stop loss reinsurance coverage;

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

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

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

Yes [ ] No [X]

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

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

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

Yes [ ] No [X]

The Farmers Automobile Insurance Association

Reinsurance Interrogatories
December 31, 2022

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

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

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

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

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

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

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

Yes [ ] No [X]