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February 2, 2018

To The Shareholders of Pekin Life Insurance Company:

Operating results for 2017 show significant improvement over 2016. The operating results are summarized below.

The results for 2017 reflect net income of \$7.4 million, or \$0.43 per share compared to a net loss of \$1.0 million, or \$0.06 per share, last year. Realized capital gains were \$1.2M, or \$0.07 per share, compared to a realized capital loss of \$2.5 million, or \$0.15 per share, last year.

Premium growth was seen in Medicare supplement by \$2.9 million to \$32.7 million, or 9.8 percent. In addition, Universal life premium increased \$1.4 million to \$25.4 million, or 5.6 percent. Overall premium decreased \$23.2 million, or 10.4 percent primarily due to the continued runoff of group fully insured business. Group health premium decreased \$21.0 million, or 54.7 percent in 2017. As intended, the exit from the group fully insured market resulted in decreased benefits of \$17.5 million, or 57.1 percent.

Expenses decreased \$4.6 million in 2017 compared to 2016. Reduced expenses were recognized relating to the exit of our group health line of business. Additionally, management continues to monitor and control ongoing costs.

Investment income excluding capital gains increased to \$58.6 million in 2017, or 4.2 percent from last year. This increase reflects premium dollars that have been invested in the growing bond portfolio at rates that are moderately flat from previous years. Additionally, our bond portfolio is comprised of high quality holdings, of which 99.5 percent are investment grade.

As of December 31, 2017, assets were \$1.5 billion. Book value increased during the year by \$3.1 million, or 2.5 percent from year end 2016. Book value per share was \$7.48 at December 31, 2017.

Further information regarding the results for the year 2017 can be found on our Internet website at www.pekininsurance.com.

We appreciate the continued support of our shareholders, agents, and employees.

Scott A. Martin, FLMI
Chairman of the Board, President, and Chief Executive Officer

CONDENSED STATEMENTS OF INCOME

	FOR THE YEAR ENDED DECEMBER 31,	
	2017	2016
Premium Income	\$ 199,335,081	\$ 222,532,309
Investment Income	58,551,110	56,186,016
Total Income	257,886,191	278,718,325
Benefits to Policyholders	142,969,698	154,673,364
Additions to Policy Reserves	52,131,188	60,576,148
Commissions and Service Fees	23,157,084	25,349,103
Expenses and Insurance Taxes	31,799,137	36,357,982
Total Deductions	250,057,107	276,956,597
Income Before Income Taxes and Realized Capital Gains (Losses)	7,829,084	1,761,728
Income Taxes	1,655,519	266,626
Income Before Realized Capital Gains (Losses)	6,173,565	1,495,102
Realized Capital Gains (Losses), Net of Tax	1,231,522	(2,468,318)
Net Income (Loss)	\$ 7,405,087	\$ (973,216)
Net Income Before Net Realized Capital Gains (Losses) Per Share	\$.36	\$.09
Net Realized Capital Gains (Losses) Per Share	\$.07	\$ (.15)
Net Income (Loss) Per Share	\$.43	\$ (.06)
Book Value Per Share	\$ 7.48	\$ 7.30
Weighted Average Shares Outstanding	17,068,023	17,068,023

OTHER FINANCIAL INFORMATION

Premium Income by Product Line:

Ordinary & Universal Life	\$ 72,764,902	\$ 71,362,517
Pre-Need Life & Annuity	44,366,354	44,376,678
Annuity	10,257,042	14,434,867
Group Annuity	3,854,991	3,331,370
Group Life & Health	19,253,154	40,458,056
Medicare Supplement	32,667,011	29,762,092
Credit Life & Health	16,171,627	18,806,729
Total	\$ 199,335,081	\$ 222,532,309

	AS OF	
	December 31, 2017	December 31, 2016
Assets	\$ 1,474,989,917	\$ 1,459,574,027
Capital and Surplus	\$ 127,625,057	\$ 124,564,239
Insurance In Force	\$ 17,703,850,000	\$ 17,164,980,000

NOTE: Information for year ended December 31, 2017 is unaudited. The above is prepared on the basis of accounting practices prescribed by the Illinois Department of Insurance.



Pekin Life Insurance Company, headquartered in Pekin, Illinois, became an integral member of the Pekin Insurance® group of companies in April 1965. Joining together with our property/casualty companies, The Farmers Automobile Insurance Association, Pekin Insurance Company, and PAC, Inc., we are committed to providing quality insurance service to our policyholders spanning a 21-state marketing area. Our property/casualty products deliver coverage to protect homes, autos, businesses, and a wide range of other insurance needs. The Company's life and health products listed below offer a diverse portfolio of coverages to help families and businesses achieve secure financial futures. Whether for property/casualty, life, annuity, or medicare supplement insurance, we are committed to going the extra mile to provide the products and services necessary for your peace of mind. Now, more than ever, it is important that policyholders have complete trust in their insurance company. Pekin Insurance ... going *Beyond the expected*® to meet your insurance needs.

Universal Life

Preferred Whole Life

Term Life

Transitional Life

Flexible & Single Premium Annuities

Medicare Supplement

Credit Life

Debt Protection

Group Life Insurance

Qualified Retirement Programs for Individual & Business Needs

Funeral Preplanning

Self-Funded Employee Benefit Plan Administration

Voluntary Products