



2505 Court Street • Pekin, Illinois 61558
(309) 346-1161 • www.pekininsurance.com

May 2, 2012

To The Shareholders of Pekin Life Insurance Company:

Growth in the life insurance lines of business continues to be an area of focus. The results for the first quarter of 2012 are summarized below.

Premium growth of 2.6 percent in our term and whole life insurance lines of business was generated during the first quarter. Additionally, pre-need life and universal life premiums increased by 3.6 percent and 3.8 percent, respectively. The ongoing transition out of the individual major medical line resulted in a decrease in this line's premium income during the first quarter of \$5.0 million, or 63.8 percent, and offsets the increases in life premium. Premium income for the quarter was \$58.4 million, a decrease of 1.3 percent from last year. These factors contributed to a net loss of \$179,000, or \$0.01 per share in the first quarter compared to net income of \$865,000 in the first quarter of 2011, or \$0.05 per share. The net loss before net realized capital gains was \$2.0 million compared to net income before realized capital gains of \$286,000 last year.

The fixed income investment markets played a significant role in creating improved realized capital gains for the quarter. During the first quarter of 2012, there were realized capital gains of \$1.8 million or \$0.10 per share, compared to realized capital gains of \$579,000, or \$0.03 per share, in 2011.

Investment income excluding capital gains decreased to \$13.6 million in the first quarter of 2012, or 4.8 percent from last year. This decrease reflects premium dollars that have been invested in the growing bond portfolio at lower rates than available in previous years. Additionally, our bond portfolio is comprised of high quality holdings of which over 99 percent are investment grade.

As of March 31, 2012, assets were \$1.2 billion, an increase of \$37.2 million or 3.3 percent over December 31, 2011.

Book value decreased during the quarter by \$560,000. Book value per share was \$6.88, a decrease of 0.5 percent from year end 2011.

Further information regarding the results of the first quarter of 2012 can be found on our Internet website at www.pekininsurance.com.

The Board of Directors of Pekin Life Insurance Company has declared a quarterly dividend of \$0.03 per share payable June 1, 2012, to shareholders of record April 30, 2012. Pekin Life Insurance Company has paid dividends each year since June 1, 1976.

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

Gordon M. Walker, CPCU
Chairman of the Board
and Chief Executive Officer

Scott A. Martin, FLMI
President

CONDENSED STATEMENTS OF INCOME

| | FOR THE THREE MONTHS ENDED MARCH 31, | |
|---|--|---------------|
| | 2012 | 2011 |
| Premium Income | \$ 58,428,604 | \$ 59,212,626 |
| Investment Income | 13,575,822 | 14,256,633 |
| Total Income | 72,004,426 | 73,469,259 |
| Benefits to Policyholders | 42,418,677 | 49,338,257 |
| Increase in Policy Reserves | 18,739,830 | 10,170,754 |
| Commissions and Service Fees | 5,258,472 | 5,169,141 |
| Expenses and Insurance Taxes | 8,296,902 | 8,040,287 |
| Total Deductions | 74,713,881 | 72,718,439 |
| Income (Loss) Before Income Taxes and Realized Capital Gains | (2,709,455) | 750,820 |
| Income Taxes | (750,000) | 465,000 |
| Income (Loss) Before Realized Capital Gains | (1,959,455) | 285,820 |
| Realized Capital Gains, Net of Tax | 1,779,969 | 579,264 |
| Net Income (Loss) | \$ (179,486) | \$ 865,084 |
| Net Income (Loss) Before Net Realized Capital Gains Per Share | \$ (.11) | \$.02 |
| Net Realized Capital Gains Per Share | .10 | .03 |
| Net Income (Loss) Per Share | \$ (.01) | \$.05 |
| Book Value Per Share | \$ 6.88 | \$ 6.61 |
| Weighted Average Shares Outstanding | 17,068,023 | 17,068,023 |

OTHER FINANCIAL INFORMATION

Premium Income by Product Line:

| | | |
|-------------------------|---------------|---------------|
| Ordinary Life | \$ 13,298,492 | \$ 12,895,026 |
| Pre-Need Life & Annuity | 7,656,557 | 7,359,163 |
| Annuity | 9,393,309 | 7,595,325 |
| Group Annuity | 1,478,837 | 385,382 |
| Group Life & Health | 15,728,855 | 15,771,503 |
| Individual Health | 8,377,846 | 13,088,682 |
| Credit Life & Health | 2,494,708 | 2,117,545 |
| Total | \$ 58,428,604 | \$ 59,212,626 |

| | AS OF | |
|---------------------|-------------------|----------------------|
| | March 31, 2012 | December 31, 2011 |
| Assets | \$ 1,161,365,681 | \$ 1,124,163,739 |
| Capital and Surplus | \$ 117,350,885 | \$ 117,910,510 |
| Insurance In Force | \$ 13,216,607,155 | \$ 13,082,858,678 |

NOTE: Information for the three months ended March 31, 2012 and 2011 is unaudited. The above is prepared on the basis of accounting practices prescribed by the Illinois Department of Insurance.



FULL CIRCLE PRODUCTS

Pekin Life Insurance Company is an integral part of Pekin Insurance's Full Circle Service group of companies. Pekin Life Insurance Company joined together with The Farmers Automobile Insurance Association, Pekin Insurance Company, and PAC, Inc., in April 1965 to make available to the local Independent Agent a wide variety of products needed to provide quality insurance service to the people in the community.

PEKIN LIFE INSURANCE COMPANY

Universal Life

Preferred Whole Life

Term Life

Flexible & Single Premium Annuities

Health

Medicare Supplement

Short Term Medical Expense

Disability Income

Credit Life

Debt Protection

Group Insurance

Qualified Retirement Programs for Individual & Business Needs

Funeral Preplanning

Self-Funded Employee Benefit Plan Administration

THE FARMERS AUTOMOBILE INSURANCE ASSOCIATION AND PEKIN INSURANCE COMPANY

Automobile

Homeowners

Business Insurance

Bonds

Inland Marine

Motorcycle

Recreational Vehicle

PAC, INC.

Provides a convenient premium finance plan at competitive interest rates.