

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 26 2025

FILED

CERTIFICATION

June 26, 2025

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

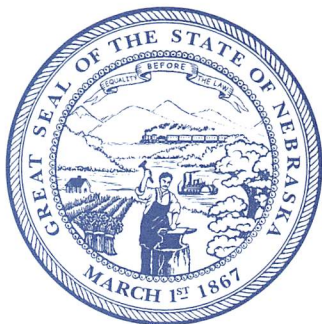
CENTRAL STATES HEALTH & LIFE CO. OF OMAHA

AS OF

DECEMBER 31, 2023

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning", is written over a horizontal line.

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

CENTRAL STATES HEALTH & LIFE COMPANY OF OMAHA

1212 NORTH 96TH STREET

OMAHA, NE 68114

dated as of December 31, 2023, verified under oath by the examiner-in-charge on
June 10, 2025, and received by the company on June 11, 2025, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 16th day of June 2025.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink that reads "Tadd R. Wegner". The signature is written in a cursive, flowing style.

Tadd Wegner, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

CENTRAL STATES HEALTH AND LIFE CO. OF OMAHA

as of

December 31, 2023

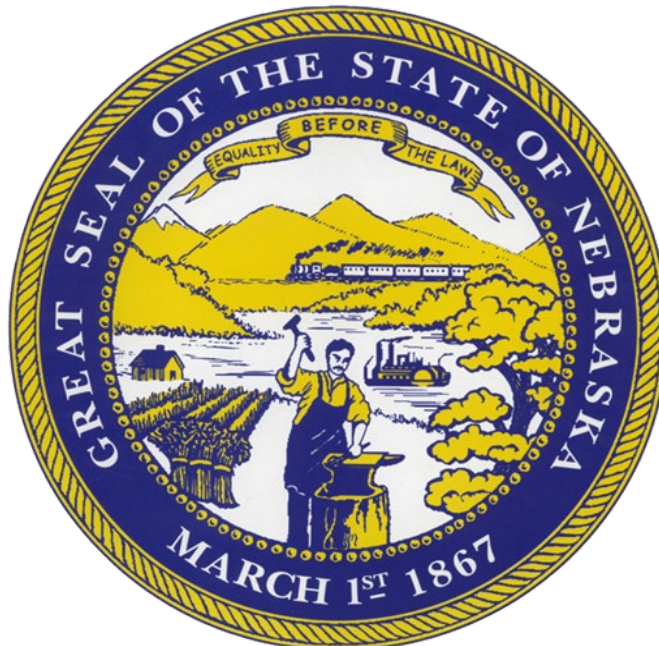


Table of Contents

<u>Item</u>	<u>Page</u>
Salutation	1
Introduction.....	1
Scope of Examination	1
Description of Company	3
History	3
Management and Control	5
Holding Company	5
Policyholders	5
Board of Directors	6
Officers	7
Committees.....	8
Transactions with Affiliates	8
Service Agreements.....	8
Tax Allocation Agreement	11
Transactions with Central States Indemnity Co. of Omaha	11
Territory and Plan of Operation	12
Agency Division.....	12
Credit Protection Services	13
Medicare Supplement.....	14
Reinsurance	14
Assumed	14
Ceded	15
General	19
Body of Report.....	20
Growth.....	20
Financial Statements	20
Examination Changes in Financial Statements	24
Compliance with Previous Recommendations.....	24
Commentary on Current Examination Findings	24
Summary of Comments and Recommendations.....	24
Acknowledgment	25

Omaha, Nebraska
June 9, 2025

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, NE 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

CENTRAL STATES HEALTH & LIFE COMPANY OF OMAHA
1212 North 96th Street
Omaha, NE 68114

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2019. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2023 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

The same examination staff conducted a concurrent financial condition examination of the Company’s subsidiary, Censtat Casualty Company (“CCC”).

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska

Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Policyholders, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by RSM US LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2022 and 2023. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated under the laws of the State of Nebraska on June 2, 1932, as a mutual assessment health and accident association. In December 1950, the Company became a mutual life and accident and health company, on the mutual legal reserve plan, by adoption of appropriate amendments to its Articles of Incorporation. In 1957, the Articles were

further amended changing the name of the Company from “Central States Health and Accident Association” to its present form. The Articles were again amended in 1983 to provide that the corporation shall have perpetual duration.

On May 20, 1977, Central States Indemnity Co. of Omaha (CSI), a Nebraska stock casualty insurance company, was incorporated with 51.37% of its outstanding capital stock owned by the Company, with the remaining Shareholders being individuals serving as Directors, Officers, employees, or managers of the Company. Effective January 16, 1978, Central States of Omaha Companies, Inc. (CSInc), a Nebraska holding company, was formed. In accordance with a “Plan of Exchange” dated January 20, 1978, the Shareholders of CSI transferred their respective shares of CSI stock to CSInc in exchange for shares of stock of CSInc. As a result, the Company owned controlling interest in CSInc, which wholly owned CSI.

In 1986, Censtat Life Assurance Company (CLAC) was formed as a subsidiary of the Company. CLAC is incorporated under the laws of the State of Arizona and is authorized as a stock life reinsurance corporation. CLAC’s operations consist of assuming credit disability and life insurance from the Company.

On November 18, 1992, the Nebraska Department of Insurance approved the application of Berkshire Hathaway, Inc. to acquire control of CSI. This resulted in the Company selling its interests in CSInc and thereby relinquishing its ownership in CSI.

In 2002, CCC was formed as a wholly owned subsidiary of the Company. This company has the authority to transact and write all types of property and casualty insurance and reinsurance authorized by the Nebraska Insurance Code, other than Title insurance.

Effective July 1, 2003, Standard American Insurance Company, a Minnesota domiciled company, was merged into the Company after approval of its Policyholders, the Boards of Directors of the respective companies, and the regulatory authorities of both states.

On May 7, 2014, the Company formed, as a wholly-owned subsidiary, Censtat Reinsurance Company LTD., a Turks & Caicos Island company. Credit insurance produced by certain accounts is ceded by the Company to Censtat Reinsurance Company LTD.

Under the provisions of its amended charter and in conformity with Nebraska Statutes, the Company is presently authorized to write life and accident and health insurance.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the “Ultimate Controlling Person,” as reported in the 2023 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- Central States Health & Life Co. of Omaha
- Censtat Life Assurance Co. (78%)
- Censtat Casualty Company
- Censtat Financial, Inc.
- Censtat Services, Inc.
- Censtat Reinsurance Company LTD
- Crescent Properties LLC

Policyholders

Article I, Section 2 of the Company’s By-Laws states that, “Policyholders of this Company shall be those persons who are insured under policies issued by the Company.”

Article I, Section 2 of the Company's By-Laws also states that, "annual meetings of the Company shall be held at its principal place of business in Omaha, Nebraska, the second Tuesday in January."

Board of Directors

Article II, Section 1 of the Company's By-Laws states that, "the Board of Directors shall consist of at least five (5), but not more than six (6) members. The term of the Directors shall be staggered by dividing the total number of Directors into three groups, with each group containing one third of the total, as near as may be... At each Annual Meeting held thereafter, Directors whose term expires at that meeting, shall be chosen for a term of three (3) years to succeed those whose terms expire. Vacancies in the Board of Directors shall be filled by a majority vote of the remaining Directors until the next Annual Meeting of the Company, at which time such vacancy or vacancies shall be filled for the unexpired term thereof by the Policyholders of the Company."

The following persons were serving as Directors on December 31, 2023:

<u>Name and Residence</u>	<u>Principal Occupation</u>
T. Edward Kizer Omaha, Nebraska	Chairman of the Board, Secretary of the Company
Matthew B. Kizer Omaha, Nebraska	President of the Company
Edward D. Hotz Omaha, Nebraska	Attorney, Pansing Hogan Ernst & Bachman LLP
John E. Kizer Omaha, Nebraska	President of Central States Indemnity Co. of Omaha
Richard T. Kizer Omaha, Nebraska	Board Member, Retired
William Michael Kizer Omaha, Nebraska	Director of Central States Indemnity Co. of Omaha

Officers

Article V of the Company's Articles of Incorporation states that, "the Board of Directors shall elect a President, one or more Vice Presidents, a Secretary and a Treasurer. In addition to the foregoing offices, the Board of Directors may also elect a Chairman of the Board, who at the discretion of the Directors, may be designated as the Chief Executive Officer of the Company. The Board of Directors may also designate any Vice President with an additional title such as Executive Vice President, First Vice President, or any other designation, including but not limited to any designation which may indicate the particular functions of the Vice President." The Officers are elected at the annual meeting of the Board of Directors.

The following is a listing of Officers elected and serving the Company on December 31, 2023:

<u>Name</u>	<u>Office</u>
T. Edward Kizer	Chairman of the Board, Secretary
Matthew B. Kizer	President
Richard T. Magsam	Vice President, Treasurer & Chief Financial Officer
Kristine M. Thomas	Vice President, General Counsel
Gary F. Craft	Sr. Vice President, Medicare Supplement Marketing & Administration
Nicholas F. Stark	Sr. Vice President, Chief Investment Officer
Jeffrey J. Wanning	Sr. Vice President, Consumer Lending Markets
Jill M. Burns	Vice President, Chief Actuary
William S. Dmytriw	Vice President, National Sales Director Home Office
Patrice A. Honz	Vice President, Human Resources
Kelly J. C. Koch	Vice President, National Sales Director
James B. Vaughan	Vice President, Chief Information Officer
Ann M. Wenzl	Vice President, Administration

Committees

No provision has been made in the Company's Articles of Incorporation or By-Laws for the establishment of any committees in the management of the business affairs of the Company. However, the Board of Directors has elected to establish certain standing committees.

The following persons were serving on the Investment and Finance Committee on December 31, 2023:

Matthew B. Kizer
T. Edward Kizer
Nick Stark

Richard T. Kizer
Richard T. Magsam

The following persons were serving on the Risk Committee on December 31, 2023:

Jill Burns
Richard T. Kizer
Richard T. Magsam
Jeffrey J. Wanning

Matthew B. Kizer
T. Edward Kizer
Kris Thomas

The following persons were serving on the Audit Committee on December 31, 2023:

Edward D. Hotz
Matthew B. Kizer
T. Edward Kizer

John E Kizer
Richard T. Kizer
William M. Kizer

TRANSACTIONS WITH AFFILIATES

Service Agreements

In 1993, the Company entered into an agreement with its subsidiary, CLAC, whereby the Company serves as its exclusive managing agent. Services provided by the Company include underwriting, actuarial studies, claims service, accounting, agents' licensing, records maintenance, and other responsibilities for the efficient operation of business such as office space, general overhead items, advertising, allocation of expenses, and collection and handling of premium moneys and managerial services. The Company does not have authority to incur any obligations or liabilities on behalf of, or for the account of, CLAC without prior written consent.

The period of this agreement is for five years beginning on the effective date and has been continuously renewed as needed. This agreement can be terminated by either party upon sixty (60) days' notice in writing. Compensation for the services provided shall be on a cost basis in an amount no greater than CLAC would expend in providing services for itself.

In 1993, the Company entered into an agreement with its subsidiary, Censtat Services, Inc. Services provided by the Company include accounting, agents' licensing, records maintenance, and other services necessary for the efficient operation of the business such as office space, general overhead items, advertising, allocation of expenses, and collection and handling of premium moneys, and managerial services. This agreement can be terminated at any time by mutual consent or by either party upon sixty (60) days' notice in writing. Compensation for the services provided shall be on a cost basis in an amount no greater than Censtat Services, Inc. would expend in providing services for itself.

In 2000, the Company entered into an agreement with its subsidiary, Censtat Financial, Inc., under which it has been employed as its exclusive managing agent. Services provided by the Company include accounting, records maintenance, other services necessary for the efficient operation of the business such as office space, general overhead items, advertising, allocation of expenses and collection and handling money, and managerial services. The Company does not have authority to incur any obligations or liabilities on behalf of, or for the account of Censtat Financial, Inc. without prior consent. This agreement can be terminated at any time by mutual consent or by either party upon sixty (60) days' notice in writing to the other party.

Compensation for the services provided shall be on a cost basis in an amount no greater than Censtat Financial, Inc. would expend providing such services for itself.

The Company entered into a Service Agreement with its subsidiary, CCC, effective September 3, 2002. Under the terms of this agreement, the Company will provide all facilities and services necessary relating to underwriting, actuarial studies, claims service, agents' licensing, compliance, regulatory filings, accounting, investment management, tax filing, record keeping, legal services, and other such services mutually agreed upon by the parties. The initial term of this agreement is for a period of five years from the effective date. It may be extended for an additional period of time and upon the terms and conditions hereof, or modified by mutual consent of the parties. The Agreement may be terminated by mutual consent or by either party upon at least 60 days' notice in writing to the other party. Compensation for services is on a cost basis, calculated by an allocation of expenses in conformity with customary insurance accounting practices consistently applied, and in an amount no greater than CCC would have expended in providing such services for itself. Payment for these services is made on a monthly basis as billed by the Company.

The Company entered into a Service Agreement with its subsidiary, Censtat Reinsurance Company, Ltd. (CRC), effective June 30, 2014. Under the terms of the agreement, the Company will provide all facilities and services necessary related to actuarial studies, claims service, agents' licensing, compliance, regulatory filings, accounting, investments management, tax filing, record keeping, legal services, and other services as mutually agreed upon by the parties. The Agreement may be terminated by mutual consent or by either party upon at least 60 days' notice in writing to the other party. This agreement may be terminated at any time by mutual consent or by either party upon at least sixty (60) days' notice in writing to the other party. Compensation for services is on a cost basis, calculated by an allocation of expenses in conformity with customary insurance accounting practices consistently applied, and in an

amount no greater than the Company would have expended in providing such services for itself. CRC shall pay the Company, at the Company's option, and payment shall be made within 30 days of the date billed.

Tax Allocation Agreement

The Company is a party to a tax allocation agreement, effective January 1, 2002, with its subsidiaries. Under this Agreement, the consolidated tax liability of the Company and its subsidiaries, excluding CLAC, is allocated to the parties on the percentage the separate return bears to the consolidated tax. If for any taxable period the separate liability of any member exceeds the consolidated tax liability as a result of any excess loss or tax credits of either party, the Company will pay each member its allocated portion of such excess amount.

Transactions with Central States Indemnity Co. of Omaha

From the formation of CSI in 1977 until 1992, the Company owned approximately 51% of CSI's capital stock or the capital stock of its parent, CSInc. In 1992, principal ownership was transferred to Berkshire Hathaway Inc., and the Company no longer had an ownership interest. The companies continue to have common Directors. CSI also receives certain managerial, administrative and operating services from the Company.

Because the Company no longer had an ownership interest in CSI, the companies entered into a separation agreement effective January 1, 1995 whereby the credit card insurance employees of the Company became employees of CSI. Specific service agreements supporting the credit card credit insurance operations, primarily data processing, corporate finance, human resources, administration, and miscellaneous, were entered into between the Company and CSI simultaneously with the separation agreement. Agreements for legal publication subscriptions

and financial services still exist. The remainder of the Service Agreements provided by the Company to CSI have terminated.

A lease agreement for office space grew out of this separation. Currently the lease term is through December 31, 2023 with a twelve-month notice of cancellation required.

While the Company and CSI are no longer affiliated by ownership, their respective Boards of Directors do contain members who are Officers of the other company.

The Company and CSI write combined policies insuring life and health products. CSI collects the premium and pays the claims and commissions and subsequently reimburses the Company the net amount. The Company receives a fronting fee based on earned premium for this business.

Life and health business fronted under the above arrangement is partially ceded to captive reinsurers owned by producers with the remainder ceded to CSI Life Insurance Company (CSI Life, formerly Aksarben Life Insurance Company) under a coinsurance agreement. CSI Life is a wholly owned subsidiary of CSI, which manages and directs all sales and services of these clients.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states, with the exception of New York, as well as the District of Columbia, and the provinces of Guam and Northern Mariana Islands.

Agency Division

The Agency Division marketed a specialized line of health and life products directed at Individual and Worksite markets. The Company discontinued writing new business in these product lines in 2005 and entered into reinsurance arrangements on all of the health business.

The Company cedes 100% of the Medicare supplement business to General Re Life Corporation (GenRe), 100% of the cancer and other health business to Philadelphia American Life Insurance Company (PALIC), and 100% of the long-term care business to MedAmerica Insurance Company (MAIC) though this business has been recaptured after MedAmerica made the decision to cease the administration of this business. Administration of the long-term care business is now being managed by Illumifin. PALIC assumed the majority of the cancer and other health business through an assumption reinsurance agreement. Except for long-term care business, PALIC manages the administration of the Agency business, including the Company's retained life business.

Credit Protection Services

Credit Protection Services is the primary division of the Company. The Company markets single premium credit life and credit accident and health writings which are primarily offered through Auto Dealers, Commercial Banks, Savings Banks, Credit Unions, and Finance Companies.

The Company utilizes two distribution systems, home office employees and independent general agents. As of December 31, 2023, the Company's home office sales force is structured into seven (7) regions and employs eight (8) regional management individuals, and the agency channel consists of approximately 60 independent General Agents. Through this dual system approach, CSO is represented throughout the United States, except New York, for which the company is not licensed, and California, which is currently inactive. The Company also is represented in the Northern Mariana Islands and Guam.

Medicare Supplement

The Company has a history of issuing Medicare Supplement policies, and in May 2018, the Company re-entered the Medicare Supplement business through the purchase of CSI's Medicare Supplement business. The Company took over the ongoing management of the CSI and CSI Life Medicare Supplement policies in force and now have filed and approved the Company's plans in 30 selected states. The Company began offering these plans to consumers beginning March of 2019. In conjunction with the contract taking over the management, the Company also entered into long-term agreements with partners that had established relationships with the CSI business acquired. AIMC/Integrity is the marketing partner responsible for agent recruiting and management. Insurance Administrative Solutions (IAS) is the TPA utilized for policy fulfillment and administration. In January 2023, CSO made the decision to pause new sales of Medicare Supplement because of industry trends limiting the Company's ability to remain competitive which is hampering new premium production. The Company intends to reenter the space when they can anticipate profitable business.

REINSURANCE

Assumed

Effective December 1, 2006, the Company entered into a reinsurance agreement with Investors Heritage Life Insurance Company (Investors), a Kentucky corporation. The Company assumes, on a 100% Quota Share basis, all of the Group Credit Life, Credit Accident and Health (Disability) Insurance, and related Accident Death Benefits business written by Investors related to Kentucky accounts listed in the contract. The Company pays Investors a ceding allowance of 4% of net premium plus 1.5% representing tax liability. The agreement was terminated for new business as of November 30th, 2019, and is in runoff.

Effective January 1, 2018, the Company entered into a coinsurance reinsurance agreement with CSI to reinsure some of its Medicare Supplement business. The Company assumes 100% of the net retained Medicare Supplement business that was issued by CSI and CSI Life from 2011 to 2020. The Company reinsures business from CSI after CSI reinsures the business written by CSI Life. A portion of the business written by CSI is directly reinsured from CSI to GenRe, the Company is not a party to that reinsurance treaty. The Company is responsible for the administration of the entire blocks of business written by the Company, CSI, and CSI Life.

Ceded

Life

Effective March 1, 1984, the Company entered into an excess coinsurance reinsurance agreement with Continental Assurance Company (CNA). The amounts ceded are 100% of the amount in excess of the Company's retention stated in the contract. The Company's retention varies by plan and age, with the maximum retention being \$100,000 on any one insured individual. This agreement reinsures whole life policy forms 658 and 659. This agreement was novated in 2001, and Munich American Reassurance Company became a party to the contract.

Effective March 15, 1984, the Company entered into an excess coinsurance reinsurance agreement with Business Men's Assurance Company (BMA). The amounts ceded are 100% of the amounts in excess of the Company's retention stated in the contract. The Company's retention varies by plan and age, with a maximum retention being \$100,000 on any one insured individual. This agreement covers whole life policy forms 658 and 659. This agreement was novated to Generali USA Life Reinsurance (Generali). On July 1, 2006, Generali entered into an assumption agreement with Optimum Re. Effective July 1, 2005, the Company also has a bulk

accidental death treaty with Optimum Re that was also previously novated from BMA. In addition, the Company has another coinsurance and YRT reinsurance contract with Optimum Re with the same effective date for term and whole life policy forms 667, 668, and L10.

Effective July 1, 2001, the Company entered into a coinsurance treaty with Munich American Re and CSI Life. The Company retains 1/3 of the business and cedes each of the other companies 1/3 of the business each. This treaty covers the Company's Senior Life forms L14, L15, and L16.

Effective October 1, 2003, the Company entered into a coinsurance reinsurance agreement with Scottish Re, formerly ERC Life Reinsurance Corporation, for policy forms L01, L05, L07, and L10. The amounts ceded are 100% of the excess amount of the Company's retention stated in the contract. The Company's retention varies by plan and age, with the maximum retention being \$100,000 on any one insured individual. The majority of these policies are term policies with level premium for 5 or 10 years and Policy Form L10 is a whole life policy. The Company's retention on these policies is \$100,000 per life.

Credit Life and Accident and Health

Effective April 1, 1983, the Company formed CLAC, an Arizona domestic stock life and disability reinsurer as a subsidiary of the Company. CLAC functions as a reinsurer for credit life and credit disability insurance written through the Company. All issued voting stock (Class A) of CLAC was held by the Company until June 2009. At that time, by vote of the Board of Directors, the Articles of Incorporation of CLAC were amended to add a second series of Class A Voting Stock Series II. Further, the Board authorized the issuance of 282,051 shares of the new stock to Class B Series I Non-Voting Common Stockholders whose capital accounts were \$35,000 or more as of December 31, 2008, in exchange for their Class B shares. As of June 30,

2009, the Company holds 100% of the Class A Voting Stock Series I and 78% of all Voting Stock with holders of Class A Voting Stock Series II holding 22% of all Voting Stock.

Additionally, CLAC reinsures the business generated for the Company by Class A Series II and Class B Shareholders on a 60%/40% quota share basis. Class B Series I has a 60%/40% quota share with a policy limit of \$30,000. Class B Series II has a 90%/10% quota share with policy limits of \$50,000 for single premium life and \$750 per month for disability with a policy limit of \$50,000. CLAC has not issued any Class B Series II stock. In addition, the monthly outstanding balance coverage is ceded at 50% of policy liability but not in excess of \$25,000 per policy.

Effective June 1, 2014, the Company entered into a reinsurance agreement with its affiliate, Censtat Reinsurance Company LTD (CRC). Under the terms of this agreement, the Company is reinsuring policies of Group Credit Life and Credit Accident and Health insurance certificates issued thereunder, and individual policies of Credit Life and Credit Accident and Health insurance issued by the Company. Policies reinsured are those which are placed or sold by certain agents, employees, member shareholders, subsidiaries, or affiliates of the Company referred to as “Reinsured Producers.” The liability ceded is established according to a schedule of “Reinsured Producers” included in the agreement, with additional producers added as mutually agreed upon by written agreement.

Many agreements have been initiated that provide for the Company to generally cede 50% to 100% of its liability under specified Credit Life and Accident and Health policies. Reinsured policies under these agreements are generally placed or sold by an agent, employee, member, shareholders, subsidiary, or affiliate of the reinsurers. The reinsurance premium is reduced by a proportional charge for all commissions, experience ratings, allowances or other

compensation, and premium and/or excise taxes. The Company deducts a ceding fee specified as a certain percentage of the reinsurance premium.

Credit Card Credit Insurance

The Company is ceding 100% of its credit card insurance liability under certain policies of Group Credit Life and Group Credit Accident and Health insurance and certificates issued thereunder, and, if applicable, any individual policies of Credit Life and Credit Accident and Health insurance, to the following reinsurers:

Alpine Indemnity Limited (effective January 1, 2005)
American Health and Life Insurance Company (for Bank of America)
(effective July 1, 2004)
CSI Life Insurance Company (effective July 1, 2001)
Miami Valley Insurance Company (effective May 1, 1988)

Generally, the financial institutions controlling the reinsurers generate the policies reinsured. The reinsurance agreements provide for the reinsurers to assume on a written basis 100% of the Company's liability under said reinsured policies. In exchange for this coverage, the Company agrees to pay 100% of the net written premium which has been received, less any program costs as defined in the various agreements. These costs, which may vary by agreement consist primarily of compensation paid to the producing institution, premium taxes, claims paid, loss adjustment expenses, certain marketing costs, and percentage of premium to cover the Company's cost of advertising, soliciting, administration, regulatory compliance, marketing activities, certificate issue, and customer service. Since the maximum cession is not stated in the agreements, risk coverage is subject to the maximum limits allowed for each credit card issued.

The Company cedes all remaining net retained credit card credit insurance issued or assumed that provides coverage on the outstanding balance of credit cards to CSI Life.

Discontinued Accident and Health

Effective January 1, 2005, the Company entered into a reinsurance agreement with MAIC, and the previous novation and assignment agreements between the Company and MAIC were terminated. Under this agreement, the Company ceded 100% of its Long Term Care business. During 2023, CSO commuted the reinsurance treaty with MAIC. After mediation, CSO received \$28 million in reserves for the risk and the administration of those policies was transferred to Illumifin in 2024.

Effective October 1, 2005, PALIC assumed the Cancer, Critical Illness, Other Health, and Disability Income business and GenRe assumed the Medicare Supplement business on a 100% coinsurance basis. In addition, the Company entered into an Assumption Reinsurance Agreement, whereby all of the risk coinsured by PALIC was subject to assumption by PALIC.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Bonds	\$224,553,881	\$226,445,631	\$226,964,123	\$251,181,731
Admitted assets	391,622,092	386,898,812	379,936,401	410,872,904
Reserves	115,175,187	106,341,707	98,161,960	117,329,888
Total liabilities	219,254,608	204,378,082	189,655,968	213,922,438
Capital and surplus	172,367,484	182,520,729	190,280,433	196,950,466
Premium income	110,654,788	114,745,919	107,377,653	125,660,613
Net investment income	21,262,160	13,051,172	13,946,304	10,213,562
Benefits	80,420,323	79,461,381	76,151,240	69,895,884
Net income	12,333,266	12,117,721	7,150,816	5,082,404
Life insurance in-force (in-thousands)	4,615	4,317	4,077	3,754

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2023

<u>Assets</u>		<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
	<u>Assets</u>		
Bonds	\$251,181,731		\$251,181,731
Common stocks	46,700,169	\$ 191,937	46,508,232
Mortgage loans on real estate	18,464,561		18,464,561
Real estate held for the production of income	5,034,732		5,034,732
Cash, cash equivalents, and short-term investments	11,335,130		11,335,130
Contract loans	1,370,558	7,954	1,362,604
Other invested assets	62,380,150		62,380,150
Receivables for securities	<u>5,126,769</u>	<u> </u>	<u>5,126,769</u>
Subtotal, cash and invested assets	\$401,593,799	\$ 199,892	\$401,393,907
Investment income due and accrued	2,405,560		2,405,560
Uncollected premiums	1,173,892	102,108	1,071,784
Deferred premiums	264,109		264,109
Amounts recoverable from reinsurers	389,238		389,238
Other amounts receivable under reinsurance contracts	61,984		61,984
Net deferred tax asset	4,672,054		4,672,054
Guaranty funds receivable or on deposit	277,829		277,829
Electronic data processing equipment and software	253,054	108,691	144,363
Furniture & equipment	504,936	504,936	
Receivables from parent, subsidiaries and affiliates	105,575		105,575
Other assets	432,103	432,103	
Due from Central States Indemnity – credit card products	86,501		86,501
Medicare Supplement intangible assets	6,880,000	6,880,000	
Commissions paid in advance	1,464	1,464	
Prepaid pension benefit	<u>37,939</u>	<u>37,939</u>	<u> </u>
Total assets	<u>\$419,140,037</u>	<u>\$8,267,133</u>	<u>\$410,872,904</u>

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	\$ 58,003,920
Aggregate reserve for accident and health contracts	59,149,488
Liability for deposit-type contracts	176,480
Life contract claims	3,805,576
Accident and health claims	6,976,258
Policyholders' dividends and refunds to members apportioned for payment	39,939
Premiums & annuity considerations for life & A&H contracts received in advance	2,397,295
Other amounts payable on reinsurance	1,062,574
Interest maintenance reserve	3,137,948
Commissions to agents due and accrued	1,103,083
Commissions and expense allowances payable on reinsurance assumed	10,579
General expenses due or accrued	3,220,303
Taxes, licenses and fees due or accrued, excluding federal income taxes	387,020
Current federal and foreign income taxes	1,642,987
Amounts withheld or retained by reporting entity as agent or trustee	163
Amounts held for agents' account	528,269
Remittances and items not allocated	833,352
Borrowed money and interest thereon	13,517,657
Asset valuation reserve	19,190,555
Reinsurance in unauthorized and certified companies	1,283,997
Funds held under reinsurance treaties with unauthorized and certified reinsurers	34,881,910
Funds held under coinsurance	93,090
Payable for securities	2,184,783
Other liabilities	85,296
Abandoned property escheat items	208,705
Payable to PALIC	1,183
Payable to CCC VPA	<u>27</u>
Total liabilities	<u>\$213,922,438</u>
Unassigned funds (surplus)	<u>\$196,950,466</u>
Total capital and surplus	<u>\$196,950,466</u>
Total liabilities, capital and surplus	<u>\$410,872,904</u>

SUMMARY OF OPERATIONS – 2023

Premiums and annuity considerations for life and accident and health contracts	\$125,660,613
Net investment income	10,213,562
Amortization of interest maintenance reserve	531,056
Commissions and expense allowances on reinsurance ceded	11,980,510
Reserve adjustments on reinsurance ceded	18,616
Miscellaneous income – credit card fees	24,801
Miscellaneous income	<u>1,057,574</u>
 Total income	 \$149,486,732
 Death benefits	 \$ 6,987,681
Matured endowments (excluding guaranteed annual pure endowments)	32,229
Disability benefits and benefits under accident and health contracts	61,942,550
Surrender benefits and withdrawals for life contracts	933,424
Interest and adjustments on contract or deposit-type contract funds	18,808
Payments on supplementary contracts with life contingencies	1,945
Increase in aggregate reserves for life and A&H contracts	<u>19,167,639</u>
 Total losses	 \$ 89,084,276
 Commissions on premiums, annuity considerations & deposit-type contract funds	 \$ 25,897,233
Commissions and expense allowances on reinsurance assumed	3,673,416
General insurance expenses and fraternal expenses	20,550,761
Insurance taxes, licenses and fees, excluding federal income taxes	2,781,171
Increase in loading on deferred and uncollected premiums	205
Interest expenses on funds held	<u>1,387,578</u>
 Total expenses	 <u>\$143,374,640</u>
 Net gain from operations before dividends & federal income taxes	 \$ 6,112,092
 Dividends to policyholders and refunds to members	 \$ 45,452
Federal and foreign income taxes incurred	1,642,903
Net realized capital gains or (losses)	<u>658,668</u>
 Net income	 <u>\$ 5,082,404</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Capital and surplus, beginning	<u>\$149,178,815</u>	<u>\$172,367,484</u>	<u>\$182,520,729</u>	<u>\$190,280,433</u>
Net income	\$ 12,333,266	\$ 12,117,721	\$ 7,150,816	\$ 5,082,404
Change in net unrealized capital gains (losses)	6,776,807	(746,213)	(8,354,260)	6,197,134
Change in net deferred income tax	491,094	(3,816,988)	1,352,197	327,741
Change in nonadmitted assets	2,762,641	2,193,741	1,751,180	2,769,088
Change in liability for reinsurance in unauthorized and certified companies	267,254	123,399	154,357	522,236
Change in reserve on account of change in valuation basis	513,036		(345,699)	
Change in asset valuation reserve	<u>44,571</u>	<u>281,585</u>	<u>6,051,113</u>	<u>(8,228,570)</u>
Net change for the year	<u>\$ 23,188,669</u>	<u>\$ 10,153,245</u>	<u>\$ 7,759,704</u>	<u>\$ 6,670,033</u>
Capital and surplus, ending	<u>\$172,367,484</u>	<u>\$182,520,729</u>	<u>\$190,280,433</u>	<u>\$196,950,466</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$196,950,466, as reported in the Company's 2023 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Alexis Anderson, CFE, Caden Boesiger, AFE, Meredith Clark, and Lucas Pfeifer, Financial Examiners; Gary Evans, CFE, CISA, Information Systems Specialist; and Michael Muldoon, MAAA, ASA, FCA, Margaret Garrison, and Nguyen Thai, Actuarial Examiners; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'B. Davis', is written over a horizontal line.

Brian Davis, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Brian Davis, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Central States Health and Life Co. of Omaha and Censtat Casualty Company.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Central States Health and Life Co. of Omaha and Censtat Casualty Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Brian Davis on this 10 day of June, 2025.

(SEAL)




Notary Public

My commission expires 8-8-27 [date].