

NOV 13 2023

FILED

# CERTIFICATION

November 13, 2023

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 INDEMNITY CO. OF OMAHA**

**AS OF**

**DECEMBER 31, 2022**

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.



  
\_\_\_\_\_  
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

**CENTRAL STATES INDEMNITY CO. OF OMAHA**

**1212 NORTH 96<sup>TH</sup> STREET**

**OMAHA, NEBRASKA 68114**

dated as of December 31, 2022, verified under oath by the examiner-in-charge on October 3, 2023, and received by the company on October 18, 2023, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 1<sup>st</sup> day of November 2023.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford".

Lindsay Crawford, CFE  
Chief Financial Regulator

**STATE OF NEBRASKA**

**Department of Insurance**

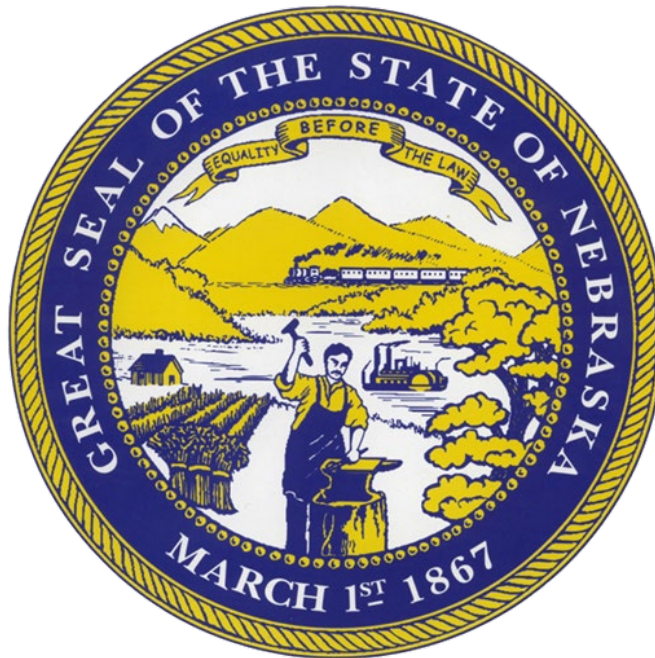
**EXAMINATION REPORT**

**OF**

**CENTRAL STATES INDEMNITY CO. OF OMAHA**

**as of**

**December 31, 2022**



**TABLE OF CONTENTS**

<b><u>Item</u></b>	<b><u>Page</u></b>
Salutation .....	1
Introduction.....	1
Scope of Examination.....	1
Description of Company .....	3
History .....	3
Management and Control,.....	4
Holding Company .....	4
Shareholder .....	5
Board of Directors.....	6
Officers .....	7
Committees .....	7
Transactions with Affiliates.....	8
Administrative Services Agreement – CSInc .....	8
Administrative Services Agreement – CSI Life .....	8
Administrative Services Agreement – CSI Processing, LLC .....	9
Incentive Plan Expense Reimbursement Agreement .....	9
Tax Allocation Agreement.....	9
Investment Services Agreement .....	10
Territory and Plan of Operation.....	10
Reinsurance.....	11
Assumed.....	11
Ceded .....	12
General .....	14
Body of Report.....	15
Growth .....	15
Financial Statements .....	15
Examination Changes In Financial Statements .....	19
Compliance with Previous Recommendations .....	19
Commentary on Current Examination Findings.....	19
Intercompany Transactions.....	19
Schedule T Reporting .....	20
Summary of Comments and Recommendations.....	20
Acknowledgment .....	22
Addendum.....	23

Omaha, Nebraska  
September 29, 2023

Honorable Eric Dunning  
Director of Insurance  
Nebraska Department of Insurance  
1526 K Street, Suite 200  
Lincoln, Nebraska 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 INDEMNITY CO. OF OMAHA**  
**1212 North 96<sup>th</sup> Street**  
**Omaha, Nebraska 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, 2018. The current financial condition examination covers the intervening period to, and includes, the close of business on December 31, 2022 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, CSI Life Insurance Company (CSI Life).

### **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 Shareholder, 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 authorization of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. 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 program was ascertained and noted and has 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 Deloitte & Touche, LLC, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2021, and 2022. 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 May 20, 1977, and commenced business on June 2, 1977 as a capital stock fire and casualty insurance company.

Effective May 24, 1977, 51.37% of the Company's original stock was acquired by Central States Health & Life Co. of Omaha (CSO) with the remaining Shareholders being individuals serving as Directors, Officers, employees or managers of CSO.

On January 16, 1978, Central States of Omaha Companies, Inc. (CSInc), a Nebraska holding company, was formed. In accordance with the "Plan of Exchange" dated January 20, 1978, the Shareholders of the Company transferred their respective shares of the Company's stock to CSInc in exchange for all of the outstanding shares of common stock of CSInc.

Effective October 17, 1985, an order issued by the Arizona Insurance Department approved the Company's acquisition of all of the issued and outstanding voting shares (Class "A") of stock of Aksarben Life Insurance Company (Aksarben). Shares of Class "B" stock were issued to credit insurance producers of Aksarben. Class "B" Shareholders received the underwriting profits on the business they produce while the investment income was reserved for Class "A" Shareholders. In 1988, the Company called the Class "B" shares for redemption and distributed the mutually agreed surplus applicable to them. Aksarben subsequently changed its name to CSI Life.

On November 18, 1992, the Nebraska Department of Insurance approved the application of Berkshire Hathaway, Inc. (BHI) to acquire control of the Company. This resulted in CSO, along with all but four of the other individual Shareholders, selling 100% of their interests in CSInc. At the same time, the remaining four Shareholders of CSInc relinquished all but 18% of their interests, which allowed for an 82% acquisition by BHI.

## **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 2022 Annual Statement, is attached as an addendum to this report. A summary of the organizational chart is included below (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned). The listing includes only direct and indirect parents and subsidiaries of the Company.

Berkshire Hathaway, Inc. (31.50725% owned by Warren E. Buffett)  
Central States of Omaha Companies, Inc. (92%)  
Central States Indemnity Co. of Omaha  
CSI Life Insurance Company  
CSI Processing, LLC

### **Shareholder**

Article VI of the Company's Articles of Incorporation states that, "the aggregate number of shares the Corporation shall have authority to issue is 2,000,000 shares of common stock of the par value of \$1.45 per share, for total authorized capital stock of \$2,900,000.00." Company records indicate that 1,793,105 of said shares were issued and outstanding for total paid up capital of \$2,600,002 at December 31, 2022. All such shares were held by CSInc.

The capital stock of \$2,600,002 has not changed during the examination period. The gross paid in and contributed surplus of \$2,589,582 has not changed during the examination period. The Company did not pay any dividends over the exam period.

Article II, Section 1 of the Company's By-Laws states that, "all annual meetings of the Shareholders shall be held at the office of the Company in Omaha, Nebraska or at such other place as determined by the Board of Directors and stated in the notice to Shareholders. The annual meeting shall be held the 2<sup>nd</sup> Tuesday in March at 10:00 o'clock A.M. At such annual meeting, the Board of Directors shall be elected and such other business transacted as may properly come before the meeting." Shareholder meetings were not held on the second Tuesday in March in the

years 2019 to 2022. It is recommended that future Shareholder meetings are held on the second Tuesday in March in accordance with Article II, Section I of the Company's By-Laws.

**Board of Directors**

Article III, Section 1 of the Company's By-Laws provide that, "the property and business of this Company shall be managed by its Board of Directors, consisting of not less than seven nor more than twenty-one persons. The minimum age for a Director shall be eighteen... At the first annual meeting of the Shareholders and at each annual meeting thereafter, the Shareholders shall elect Directors to hold office until the next succeeding meeting."

The following persons were serving as Directors at December 31, 2022:

<b><u>Name and Residence</u></b>	<b><u>Principal Occupation</u></b>
Delmer Dale Browning Golden, Colorado	Retired President and Chief Executive Officer of ProCard, Inc.
John Edward Kizer Omaha, Nebraska	Chairman and President of the Company
Joseph Leslie Kizer Omaha, Nebraska	President of Resource Insurance Consultants
Richard Thomas Kizer Omaha, Nebraska	Chairman of CSO
William Michael Kizer Omaha, Nebraska	Retired President of CSI Life
Kevin John Moran Omaha, Nebraska	Executive Vice President, Treasurer and Secretary of the Company and CSI Life
William Frederick Ross Omaha, Nebraska	Retired Senior Vice President of the Company

Article III, Section 2, of the Company's By-Laws states that, "there shall be a minimum of one regular meeting each quarter with one such quarterly meeting to be held immediately after and on the same date as the Annual Meeting of Shareholders. The remaining three quarterly meetings

shall be held during the first two weeks of each quarter.” The remaining quarterly Board meetings were not consistently held during the first two weeks of each quarter. It is recommended that the Company hold quarterly Board of Director meetings within the first two weeks of the applicable quarter in accordance with Article III, Section 2 of the Company’s By-Laws.

**Officers**

Article IV, Section 1 of the Company’s By-Laws states that, “the Officers of the Company shall be a Chairman of the Board, a President, one or more Vice Presidents, the number thereof to be determined by the Board of Directors, a Treasurer and Secretary, or other Officers as may be elected or appointed by the Board of Directors.” 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 at December 31, 2022:

<b><u>Name</u></b>	<b><u>Office</u></b>
John E. Kizer	Chairman of the Board and President
Kevin J. Moran	Executive Vice President, Treasurer, and Secretary

**Committees**

Article VI of the Company’s By-Laws states that, “the Board of Directors shall designate from their own number an Executive Committee and such other committees as in their sole discretion they shall deem necessary and appropriate.”

The following persons were serving on the Executive Committee at December 31, 2022:

John E. Kizer	Kevin J. Moran
William M. Kizer	Richard T. Kizer

The following persons were serving on the Investment Committee at December 31, 2022:

John E. Kizer	Kevin J. Moran
Kim F. Young	

The entire Board of Directors was serving on the Audit Committee at December 31, 2022.

## **TRANSACTIONS WITH AFFILIATES**

### **Administrative Services Agreement – CSInc**

The Company has an agreement with its parent, CSInc, which engages the Company to provide CSInc with supervision of all phases of CSInc's operations including accounting, records, and other services to provide for the efficient operation of the business of CSInc. Managerial and consulting services relating to the Company's objectives and policies, selection of professional services, personnel decisions, investment decisions, and production of business and sales promotion are also provided through this agreement. All compensation or expense reimbursements for such services are based upon the actual costs incurred by the Company.

### **Administrative Services Agreement – CSI Life**

The Company entered into an agreement with its subsidiary, CSI Life, effective January 1, 1995 and since amended three times, most recently March 15, 2004. The Company provides CSI Life with supervision of all phases of its insurance operations including underwriting, actuarial studies, claims service, accounting, agents' licensing, records, and other services to provide for the efficient operation of the business. Managerial and consulting services relating to product and policy administration, company objectives and policies, reinsurance contracts, operating territory, selection of professional services, personnel decisions, investment decisions, selection of agents and agency development, and production of business and sales promotion are also provided through this agreement. All compensation or expense reimbursements for such services are based upon the actual costs incurred by the Company.

### **Administrative Services Agreement – CSI Processing, LLC**

Effective May 1, 2002, the Company entered into an agreement with its subsidiary, CSI Processing, LLC (CSI Processing), whereby CSI Processing has appointed the Company as its managing agent. As managing agent, the Company will supervise all phases of CSI Processing's administrative operations, including, but not limited to: pricing, benefit administration services, customer services, accounting, compliance, records, all other services to provide for the efficient operation of the business and managerial services. Any monies collected by the Company of CSI Processing are to be held in a fiduciary capacity. All compensation or expense reimbursement must be fair and reasonable based upon actual cost incurred by the Company to provide such services. Settlement is monthly by the end of the month following the reporting month.

### **Incentive Plan Expense Reimbursement Agreement**

Effective January 1, 2005, the Company entered into an Incentive Plan Expense Reimbursement Agreement with its subsidiary, CSI Life. Under this agreement, CSI Life will pay its proportionate share of the actual costs of the Incentive Plan incurred by the Company.

### **Tax Allocation Agreement**

Effective May 25, 1994, the Company became party to a federal income tax allocation agreement with its ultimate parent, BHI. Under this agreement, the consolidated tax liability is allocated among the members of the group who had a positive separate return tax liability in the ratio that each member's separate return tax liability bears to the sum of the separate return tax liabilities of all members of the consolidated group. A complementary method is used which results in reimbursement by profitable affiliates to loss affiliates for tax benefits generated by loss affiliates.

If the Company incurs a net operating loss in the future year in which the group reports consolidated taxable income, it will be entitled to reimbursement for the income tax benefits attributable to the loss. All federal income taxes allocated to the Company for the current year and two preceding years may be recoverable in the event future net operating losses are reported both for the Company and on a consolidated basis for the group, dependent upon the magnitude of such losses.

### **Investment Services Agreement**

Effective March 17, 2017, the Company became a participant in an investment service agreement with BHI where BHI may perform various investment services for the Company.

### **TERRITORY AND PLAN OF OPERATION**

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states, the District of Columbia, and the province of Guam.

The Company's direct writings consist of the sale of credit card credit insurance solicited on a direct response basis to customers of financial institutions. These products are designed to make the credit card payments of the cardholders in the event of disability, involuntary unemployment, or family leave. This business is packaged jointly with CSO, which provides life coverage. The policies and certificates issued are designed to ensure that involuntary unemployment or family leave and the majority of the group disability lines remain with the Company. The design also provides that the life business be reported directly to CSO, as well as a portion of the group disability business that is underwritten by CSO in a limited number of states. All sales and servicing of clients are managed and directed from the Company's Omaha offices.

The Company is also a direct writer of two types of fixed benefit protection products solicited on a direct response basis. The first is a miscellaneous loss of income product offered to

customers of businesses that provide services, such as utility companies. This product is designed to pay benefits in the event of the customer's loss of employment income due to disability and involuntary or family leave unemployment. Benefits are generally assigned to the service provider to be applied to the customer's account. The second noncredit product is offered to customers of financial institutions and service providers. This product is designed to pay benefits in the event of the customer's death, disability or involuntary unemployment. Benefits are generally paid directly to the individual customers. This product is offered jointly with CSO, which provides life and accidental death coverages. The disability and involuntary unemployment lines remain with the Company. All sales and servicing of clients for the noncredit products are also managed and directed from the Company's Omaha offices.

In 2011, the Company began writing Medicare Supplement insurance. The Company utilizes Insurance Administrative Solutions (IAS) as a third party processor to process claims, issue new policies, and collect premiums. The Company also utilizes AIMC, LLC (AIMC) as a national distributor of its Medicare Supplement products.

The Company's Medicare Supplement insurance program was discontinued through the sale of the business through an assumptive reinsurance contract to CSO on January 1, 2018.

## **REINSURANCE**

### **Assumed**

#### **Group Involuntary Unemployment**

Effective January 1, 2003, the Company began assuming 100% of the group involuntary unemployment business written in the State of Texas, or in such other states as mutually agreed upon by the parties, from its affiliate, National Fire & Marine Insurance Company. The ceding company is responsible for the collection of premiums and the payment of all losses and expenses

arising from this business. In exchange for this service, the ceding company receives 0.5% of the net written premium, monthly.

#### Medicare Supplement

Effective December 31, 2017, the Company entered into an assumptive 100% quota share reinsurance agreement with subsidiary CSI Life, whereby the Company assumes 100% of business classified as Medicare supplement insurance policies. The agreement is continuous, subject to ninety days' written notice of cancellation. Business issued after the date of termination shall not be reinsured under this agreement.

#### Ceded

##### Group Credit, Accident & Health, and Unemployment

The Company is ceding 100% of its liability under certain policies of group credit, accident and health and group unemployment insurance and the certificates issued thereunder, and, if applicable, any individual policies of credit accident and health and group unemployment insurance, to the following reinsurers:

Alpine Indemnity LTD (KY)  
Miami Valley Life Insurance Co. (AZ)  
Triton Insurance Company (TX)

Generally, the financial institutions controlling the reinsurers generate the reinsured policies. 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, certain other specified costs and a percentage of premium (7.5% to 15%) to cover the Company's



cost of program set-up, administration, regulatory compliance, marketing activities, certificate issue, claims administration, and card center assistance and support. Since the maximum cession is not stated in the agreements, the risk coverage is subject to the maximum limits allowed for each credit card issued.

#### Aviation and Aerospace Fronting

A Company affiliate, National Indemnity Company (NICO), is a member of a voluntary joint underwriting association formed for the purpose of engaging in the business of writing aviation and aerospace insurance and reinsurance and related incidental risks relating to the Global Aerospace Underwriting Pool dated November 27, 2002. Under an agreement with NICO effective January 1, 2003, the Company is writing specified risks in the States of Hawaii, Louisiana, Massachusetts, New York, and Oregon associated with NICO's membership in this joint underwriting association. The Company is then ceding 100% of the liability associated with the policies written. In exchange, the Company receives 0.5% of the net premium written, monthly.

#### Agricultural Irrigation Fronting

Effective November 1, 2005, the Company entered into a 100% quota share reinsurance agreement with Diversified Casualty Company, Ltd. (Diversified), whereby all business written by the Company through a managing general agency agreement with a Diversified affiliate, Diversified Agrisure Company, is ceded to Diversified. This business covers agricultural irrigation equipment, which is classified as inland marine business. As compensation, the Company receives 4% on all premiums ceded to the reinsurer under the agreement.

### Medicare Supplement

Effective September 1, 2011, the Company entered into a quota share reinsurance agreement with General Re Life Corporation, an affiliate, whereby the Company cedes 50% of its Medicare supplement insurance. The business reinsured consists of Medicare Supplement Plans A, B, C, D, F, G, M and N written by the Company.

Effective January 1, 2018 the Company entered into a 100% quota share reinsurance agreement with CSO, whereby the Company cedes all inforce business classified by the Company as Medicare Supplement insurance policies issued by the Company and issued by, and reinsured from, its subsidiary, CSI Life. New Medicare Supplement insurance policies issued with an effective date after December 31, 2017, and new business written January 1, 2018, shall be reinsured under the agreement as agreed to by the Company and CSO.

### Travel Protection

Effective August 26, 2014 the Company entered into a 100% quota share reinsurance contract with Berkshire Hathaway Specialty Insurance Company whereby the Company cedes its liability under policies classified as Travel Protection Insurance written in Alabama, Georgia, Hawaii, Louisiana, Maine, Massachusetts, Ohio, and Rhode Island.

### 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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$ 5,645,543	\$ 5,547,327	\$ 5,452,535	\$ 5,288,871
Preferred stocks	1,166,566	1,166,566	1,006,566	1,006,566
Common stocks	413,586,005	378,279,750	505,419,293	575,140,606
Admitted assets	641,450,536	638,388,574	767,428,230	697,343,678
Loss reserves	788,626	913,606	691,253	622,121
Total liabilities	81,959,361	78,104,319	103,456,909	86,054,674
Capital and surplus	559,491,177	560,284,255	663,971,322	611,289,004
Premiums earned	9,666,109	8,827,236	8,666,264	9,785,093
Net investment gain (loss)	12,263,986	4,694,205	6,679,173	12,848,984
Losses incurred	383,128	964,315	465,546	398,839
Net income	13,137,991	3,865,941	7,845,367	10,782,430

### 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, 2022. 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, 2022**

<b><u>Assets</u></b>	<b><u>Assets</u></b>	<b><u>Assets Not Admitted</u></b>	<b><u>Net Admitted Assets</u></b>
Bonds	\$ 5,288,871		\$ 5,288,871
Preferred stocks	1,006,566		1,006,566
Common stocks	575,140,606		575,140,606
Cash, cash equivalents, and short-term investments	104,449,259		104,449,259
Other invested assets	<u>965,640</u>	<u>\$ 965,640</u>	<u>965,640</u>
Subtotal, cash and invested assets	<u>\$686,850,942</u>	<u>\$ 965,640</u>	<u>\$685,885,302</u>
Investment income due and accrued	117,708		117,708
Uncollected premiums and agents' balances in course of collection	2,971,996	1,279	2,970,717
Amounts recoverable from reinsurers	6,339,429		6,339,429
Guaranty funds receivable	91,196		91,196
Electronic data processing equipment	134,532	105,549	28,983
Furniture and equipment	24,205	24,205	
Receivables from affiliates	86,768		86,768
Due from reinsurer	1,405,450		1,405,450
Miscellaneous assets	170,390		170,390
Account receivable	218,859	218,859	
Due from Central States Health and Life	<u>247,735</u>	<u>                    </u>	<u>247,735</u>
Totals	<u>\$698,659,210</u>	<u>\$1,315,532</u>	<u>\$697,343,678</u>

## **Liabilities, Surplus, and Other Funds**

Losses	\$ 622,121
Reinsurance payable on paid losses and loss adjustment expenses	2,620,247
Loss adjustment expenses	79,462
Commissions payable	2,247,664
Other expenses	573,554
Taxes, licenses and fees	273,261
Federal and foreign income taxes	758,134
Net deferred tax liability	71,424,107
Unearned premiums	24,735
Ceded reinsurance premiums payable	7,359,940
Amounts withheld for account of others	(14,488)
Drafts outstanding	67,694
Due to reinsurer	<u>18,243</u>
 Total liabilities	 <u>\$ 86,054,674</u>
 Common capital stock	 \$ 2,600,002
Gross paid in and contributed surplus	2,589,582
Unassigned funds (surplus)	<u>606,099,420</u>
 Total capital and surplus	 <u>\$611,289,004</u>
 Totals	 <u>\$697,343,678</u>

**STATEMENT OF INCOME – 2022**

**Underwriting Income**

Premiums earned	\$ <u>9,785,093</u>
Losses incurred	\$ 398,839
Loss adjustment expenses incurred	141,098
Other underwriting expenses incurred	<u>9,834,778</u>
Total underwriting deductions	\$ <u>10,374,715</u>
Net underwriting loss	\$ <u>(589,622)</u>

**Investment Income**

Net investment income earned	\$ 12,972,816
Net realized capital losses	<u>(123,832)</u>
Net investment gain	\$ <u>12,848,984</u>

**Other Income**

Miscellaneous income	\$ <u>247,257</u>
Total other income	\$ <u>247,257</u>
Net income before federal income taxes	\$ 12,506,619
Federal income taxes incurred	<u>1,724,189</u>
Net income	\$ <u>10,782,430</u>

## **CAPITAL AND SURPLUS ACCOUNT**

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Capital and surplus, beginning	\$464,658,428	\$559,491,177	\$560,284,254	\$663,971,322
Net income	\$ 13,137,991	\$ 3,865,941	\$ 7,845,367	\$ 10,782,430
Change in net unrealized capital gains	83,093,812	(3,062,730)	100,456,034	(63,618,655)
Change in net deferred income tax	(758,092)	905,577	33,609	42,611
Change in nonadmitted assets	30,538	(44,211)	52,558	111,296
Change in treasury stock		(200,000)		
Gain and loss on reinsurance	(671,500)	(671,500)	(4,700,500)	
Net change for the year	<u>\$ 94,832,749</u>	<u>\$ 793,077</u>	<u>\$103,687,068</u>	<u>\$(52,682,318)</u>
Capital and surplus, ending	<u>\$559,491,117</u>	<u>\$560,284,254</u>	<u>\$663,971,322</u>	<u>\$611,289,004</u>

## **EXAMINATION CHANGES IN FINANCIAL STATEMENTS**

Unassigned funds (surplus) in the amount of \$606,099,420, as reported in the Company's 2022 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**

### **Intercompany Transactions**

The exam team noted that New England Asset Management (NEAM) provides investment services to BHI pursuant to an investment services agreement effective October 1, 2013. BHI, in turn, provides investment services to the Company pursuant to the December 1, 2015 agreement. The Company does not have an agreement with NEAM but receives bills and settles directly with the service provider.

SSAP No. 25(8) states, “transactions between related parties must be in the form of a written agreement. The written agreement must provide for the timely settlement of amounts owed, with a specified due date.” The settlement transactions occurring between the Company and NEAM are not subject to an agreement. In addition, Nebraska Revised Statute §44-2133(2)(d) states that all service contracts involving a domestic insurer and any person in its insurance holding company system may not be entered into unless the insurer has notified the Director in writing of its intention to enter into such transaction.

It is recommended that the Company adjust the settlement process in order to be compliant with the existing investment services agreement or enter into an investment services agreement directly with NEAM that includes settlement provisions in order to be compliant with SSAP No. 25(8) and Nebraska Revised Statute §44-2133(2)(d).

#### **Schedule T Reporting**

The Company reported that they were licensed in Puerto Rico on Schedule T but do not hold an active Certificate of Authority. It is recommended that the Company comply with Annual Statement Instructions, and only include states or territories as licensed on Schedule T when an active Certificate of Authority is held.

#### **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

**Shareholder Meetings** - It is recommended that future Shareholder meetings are held on the second Tuesday in March in accordance with Article II, Section I of the Company’s By-Laws.

**Quarterly Board of Director Meetings** - It is recommended that the Company hold applicable quarterly Board of Director meetings with in the first two weeks of the applicable quarter in accordance with Article III, Section 2 of the Company’s By-Laws.

**Intercompany Transactions** - It is recommended that the Company adjust the settlement process in order to be compliant with the existing investment services agreement or enter into an investment services agreement directly with NEAM that includes settlement provisions in order to be compliant with SSAP No. 25(8) and Nebraska Insurance Statute §44-2133(2)(d).



**Schedule T Reporting** - It is recommended that the Company comply with Annual Statement Instructions, and only include states or territories as licensed on Schedule T when an active Certificate of Authority is held.

**ACKNOWLEDGMENT**

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

In addition to the undersigned, Santosh Ghimire, CFE, and Alexis Anderson, Financial Examiners; Gary Evans, CFE, CISA, Information Systems Specialist; and Nguyen Thai, and Joshua Wearne, Actuarial Specialists; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



---

Skyler Lawyer, CFE  
Supervisory Examiner  
Department of Insurance  
State of Nebraska

## ADDENDUM

### ORGANIZATIONAL CHART

Note: The following chart includes all affiliates related to insurance operations. Affiliates of selected non-insurance operations have been omitted. The omissions are replaced with the phrase “and owned affiliate(s).”

Berkshire Hathaway Inc. (31.50725% owned by Warren E. Buffett)

Acme Building Brands, Inc. and owned affiliates

Affordable Housing Partners, Inc. and owned affiliates

Albecca Inc. and owned affiliates

Alleghany Corporation

Alleghany Capital corporation and owned affiliates

Alleghany Insurance Holdings LLC and owned affiliates

AIHL Re LLC

CapSpecialty, Inc. and owned affiliates

Roundwood Asset Management LLC

RSUI Group, Inc.

Resurgens Specialty Underwriting, Inc.

RSUI Indemnity Company

Covington Specialty Insurance Company

Landmark American Insurance Company

RSUI Surplus Lines Insurance Services, Inc.

RSUI Insurance Exchange RPG, Inc.

Alleghany Properties Holdings LLC and owned affiliates

Transatlantic Holdings, Inc. and owned affiliates

Ben Bridge Corporation and owned affiliate

Benjamin Moore & Co. and owned affiliates

Berkshire Hathaway Automotive Inc. and owned affiliates

Berkshire Hathaway Credit Corporation and owned affiliates

Berkshire Hathaway Energy Company and owned affiliates

Berkshire Hathaway Finance Corporation

BH Columbia Inc.

Columbia Insurance Company

American All Risk Insurance Services, Inc.

American Commercial Claims Administrators Inc.

Berkadia Commercial Mortgage Holding LLC

Berkadia Commercial Mortgage LLC

Berkadia Commercial Mortgage Partners LLC

Berkshire Hathaway Assurance Corporation

Berkshire Hathaway Direct Insurance Company

BH Finance LLC  
BHG Structured Settlements, Inc.  
    Berkshire Hathaway Services India Private Limited  
    Berkshire India Limited  
biBERK Insurance Services, Inc.  
BIFCO, LLC  
British Insurance Company of Cayman  
Farnam Management Services, LLC  
Hawthorn Life International, Ltd.  
    Hawthorn Life Designated Activity Company  
MedPro Group Inc  
    AttPro RRG Reciprocal Risk Retention Group  
    Medical Protective Finance Corporation  
    MedPro Risk Retention Services, Inc.  
    MedPro RRG Risk Retention Group  
    PLICO, Inc.  
    Princeton Insurance Company  
    The Medical Protective Company  
        C&R Insurance Services, Inc.  
        C&R Legal Insurance Agency, LLC  
        Daniels-Head Management Corporation  
        Daniels-Head General Agency Inc.  
        Daniels-Head Insurance Agency Inc. TX  
        Daniels-Head Insurance Agency Inc. CA  
    MedPro Insurance Service, LLC  
    Somerset Services, Inc.  
    Wellfleet Benefits, LLC  
    Wellfleet Group, LLC  
Nederlandse Reassurantie Groep N.V.  
    NRG America Holding Company  
    NRG Victory Holdings Limited  
    NRG Victory Reinsurance Limited  
NetJets IP, LLC  
Resolute Management Inc.  
Ringwalt & Liesche Co.  
    BHHC Specialty Risk, LLC  
    Brilliant National Services, Inc  
        L. A. Terminals, Inc.  
        Soco West, Inc.  
        Whittaker Clark & Daniels, Inc.

Milepost Insurance Agency LLC  
The Duracell Company and owned affiliates  
BH Holding H Jewelry Inc  
    Helzberg's Diamond Shops, LLC  
BH Holding S Furniture Inc  
BH Housing LLC  
BH Shoe Holdings, Inc. and owned affiliates  
BHE B Inc. and owned affiliates  
BHSF, Inc. and owned affiliates  
Blue Chip Stamps, Inc.  
Borsheim Jewelry Company, Inc.  
Brooks Sports, Inc. and owned affiliates  
Business Wire, Inc. and owned affiliates  
Central States of Omaha Companies, Inc.  
    Central States Indemnity Co. of Omaha  
        CSI Life Insurance Company  
        CSI Processing, LLC  
Charter Brokerage Holdings Corp. and owned affiliates  
Clayton Homes, Inc. and owned affiliates  
CORT Business Services Corporation and owned affiliates  
CTB International Corp. ("CTBI") and owned affiliates  
Detlev Louis Motorrad-Vertriebsgesellschaft GmbH and owned affiliates  
Forest River, Inc. and owned affiliates  
Fruit of the Loom, Inc. and owned affiliates  
Gateway Underwriters Agency, Inc.  
General Re Corporation  
    Faraday Holdings Limited  
        Faraday Capital Limited  
        Faraday MGA Limited  
        Faraday Underwriting Limited  
        GRF Services Limited  
Gen Re Intermediaries Corporation  
Gen Re Long Ridge, LLC  
General Reinsurance Corporation  
    Elm Street Corporation  
    General Re Japan Service Company Limited  
    General Re Compania de Reaseguros, S.A.  
    General Re Life Corporation  
        Idealife Insurance Company  
General Reinsurance AG

Gen Re Beirut s.a.l. offshore  
 Gen Re Servicios México, S.A.  
 Gen Re Support Services Mumbai Private Limited  
 General Reinsurance Africa Ltd.  
 General Reinsurance AG Escritório de Representação no Brasil Ltda.  
 General Reinsurance Life Australia Ltd.  
 General Reinsurance Australia Ltd  
 General Star Indemnity Company  
 General Star National Insurance Company  
 Genesis Insurance Company  
 Genesis Management and Insurance Services, LLC  
 GenStar Insurance Services, LLC  
 GRC Realty Corporation  
 Railsplitter Holdings Corporation  
 New England Asset Management, Inc.  
     New England Asset Management Limited  
 GRD Holdings Corporation  
     General Re Financial Products Corporation  
 GRSA Services (Proprietary) Limited  
 United States Aviation Underwriters, Inc.  
     Canadian Aviation Insurance Managers Ltd.  
 International Dairy Queen, Inc. and owned affiliates  
 Johns Manville Corporation and owned affiliates  
 Jordan's Furniture, Inc.  
 LiquidPower Specialty Products Inc. and owned affiliates  
 Marmon Holdings, Inc. and owned affiliates  
 McLane Company, Inc. and owned affiliates  
 MiTek Industries, Inc. and owned affiliates  
 MS Property Company and owned affiliate  
 National Fire & Marine Insurance Company  
 National Indemnity Company  
     Affiliated Agency Operations Company  
     AHP Housing Fund 184, LLC  
     AHP Housing Fund 208, LLC  
     AHP Housing Fund 219, LLC  
     AHP Housing Fund 220, LLC  
     Cullen Housing, Limited Partnership  
     AHP Housing Fund 223, LLC  
     AHP Housing Fund 245, LLC  
     AHP Housing Fund 253, LLC

AHP Housing Fund 254, LLC  
AHP Housing Fund 261, LLC  
AHP Housing Fund 265, LLC  
AHP Housing Fund 267, LLC  
AHP Housing Fund 285, LLC  
AHP Housing Fund 296, LLC  
AHP Housing Fund 318, LLC  
BDTI-A Plum, LLC  
Berkshire Hathaway European Insurance Designated Activity Company  
Berkshire Hathaway Homestate Insurance Company  
Berkshire Hathaway International Insurance Limited  
Berkshire Hathaway Life Insurance Company of Nebraska  
    BHA Real Estate Holdings, LLC  
    BHG Life Insurance Company  
    Financial Credit Investment III (Cayman), L.P.  
    Financial Credit Investment III SPV-B (Cayman). L.P.  
    First Berkshire Hathaway Life Insurance Company  
    Flight Safety International Inc. and owned affiliates  
    Garan, Incorporated and owned affiliates  
Berkshire Hathaway Specialty Insurance Company and owned affiliates  
BHHC Special Risks Insurance Company  
Burlington Northern Santa Fe, LLC and owned affiliates  
    BNSF Railway Company and owned affiliates  
        Santa Fe Pacific Insurance Company  
    Burlington Northern Santa Fe Insurance Company, Ltd.  
Continental Divide Insurance Company  
Cypress Insurance Company  
Douglas Building, LLC  
Finial Holdings, Inc.  
    Finial Reinsurance Company  
GEICO Corporation  
    Boat America Corporation and owned affiliates  
        GEICO Marine Insurance Company  
    GEICO Advantage Insurance Company  
    GEICO Atlantis Corporation  
    GEICO Choice Insurance Company  
    GEICO County Mutual Insurance Company  
    GEICO Discovery Corporation  
    GEICO Endeavor Corporation  
    GEICO Financial Services, Gmbh

GEICO Indemnity Company  
    Criterion Insurance Agency  
    GEICO Casualty Company  
GEICO Perspective Corporation  
GEICO Products, Inc.  
GEICO Secure Insurance Company  
GEICO Texas County Mutual Insurance Company  
Government Employees Insurance Company and owned affiliates  
    GEICO General Insurance Company  
    GEICO Insurance Agency, Inc.  
    Government Employees Financial Corporation  
    Plaza Financial Services Company  
International Insurance Underwriters, Inc.  
Maryland Ventures, Inc.  
Plaza Resources Company  
Top Five Club, Inc.  
MLMIC Insurance Company  
    M2 Liability Solutions, Inc  
    MLMIC Services, Inc.  
National Indemnity Company of Mid-America  
National Indemnity Company of the South  
Oak River Insurance Company  
Redwood Fire and Casualty Insurance Company  
SLI Holding Limited and owned affiliates  
Tenecom Limited and owned affiliate  
    Kyoei Fire & Marine Insurance Co. Limited  
The British Aviation Insurance Company Limited  
Transfercom Limited  
VT Insurance Acquisition Sub Inc.  
    Van Enterprises, Inc.  
        MPP Co., Inc.  
        Old United Casualty Company  
        Old United Life Insurance Company  
        Vantage Reinsurance, LLC  
WestGUARD Insurance Company  
    AmGUARD Insurance Company  
    AZGUARD Insurance Company  
    EastGUARD Insurance Company  
    GUARDco, Inc.  
    NorGUARD Insurance Company



National Liability & Fire Insurance Company  
Nebraska Furniture Mart, Inc. and owned affiliates  
NetJets Inc. and owned affiliates  
Northern States Agency, Inc.  
    Global Aerospace Underwriting Managers Limited  
        Associated Aviation Underwriters Limited  
        BAIG Limited  
        British Aviation Insurance Group (Technical Services) Limited  
        British Aviation Insurance Group (Underwriting Services) Limited  
        GAUM Holdings Inc.  
            Fireside Partners, Inc.  
            Global Aerospace, Inc.  
        Global Aerospace Underwriters Limited  
        Global Aerospace Underwriting Managers (Canada) Limited  
        Global Aerospace Underwriting Managers (Europe) SAS  
        Global Limited  
OTC Worldwide Holdings, Inc. and owned affiliates  
Precision Castparts Corp. and owned affiliates  
R. C. Willey Home Furnishings and owned affiliate  
Richline Group, Inc. and owned affiliates  
See's Candy Shops, Inc. and owned affiliate  
Shaw Industries Group, Inc. and owned affiliates  
The Fechheimer Brothers Company and owned affiliate  
The Lubrizol Corporation and owned affiliates  
The Pampered Chef, Ltd. and owned affiliates  
TTI, Inc. and owned affiliates  
U.S. Investment Corporation  
    United States Liability Insurance Company  
        Mount Vernon Fire Insurance Company  
            U.S. Underwriters Insurance Company  
        Mount Vernon Specialty Insurance Company  
            Radnor Specialty Insurance Company  
XTRA Corporation and owned affiliates

State of Nebraska,

County of Lancaster,

Skyler Lawyer, 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 Cental States Indemnity Co of Omaha and CSI Life Insurance 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 Cental States Indemnity Co of Omaha and CSI Life Insurance 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 Skyler Lawyer on this 3 day of Oct, 2023



  
 Notary Public

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