CERTIFICATION

June 26, 2013

I, Bruce R. Ramge, 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 and Life Company of Omaha

as of

December 31, 2011

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.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 25 2013

FILED

DEP

Bruce R. Ramge

DIRECTOR OF INSURANCE

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

CENTRAL STATES HEALTH & LIFE CO. OF OMAHA

as of

December 31, 2011

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Omaha, Nebraska
June 1, 2013

Honorable Joseph Torti, III
Chairman, Financial Condition (E) Committee, NAIC
Deputy Director and Superintendent of Insurance
Rhode Island Division of Insurance
1511 Pontiac Avenue, Bldg #69-2
Cranston, Rhode Island 02920

Honorable John M. Huff
Chair, Midwestern Zone, NAIC
Director of Insurance
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Honorable Bruce R. Ramge
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 400
Lincoln, Nebraska 68508

Dear Sirs:

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 CO. OF OMAHA
1212 North 96th Street
Omaha, Nebraska 68114

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

INTRODUCTION

The Company was last examined as of December 31, 2007 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2011, and includes 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 concurrent financial condition examinations of the Company's affiliate, Censtat Casualty Company, and Lenders Protection Assurance Company Risk Retention Group, an unaffiliated corporation under common management.

SCOPE OF EXAMINATION

This 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 Statues. 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.

A general review was made 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, 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 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 McGladrey & Pullen, LLP, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2011. 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 of 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.

Effective June 1, 1952, the Company reinsured the business of Columbia Life Insurance Company (formerly Sons of Hermann) and certificates of assumption were issued at that time.

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, and 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.

During 1982 and 1983, CSInc caused to be incorporated two foreign insurance companies in the British Virgin Islands, namely Censtat Assurance Co., Ltd. and StaCo

Assurance Co., Limited. In 1986, an Arizona company was formed using the name Censtat Life Assurance Co. Censtat Assurance Co., Ltd. and StaCo Assurance Co., Limited were liquidated in 1988 and 1990 respectively.

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.

Credit Life Company of Omaha, an Arizona domestic insurance company, was purchased by the Company and subsequently dissolved during 1994.

During 2000, the Company formed Censtat Dealer Services, Inc., an insurance broker and agency, and Censtat Financial, Inc., an investment company, as wholly owned subsidiaries. Censtat Dealer Services, Inc., was liquidated in 2007.

In 2002, Censtat Casualty Company 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.

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 April 3, 2007 the Company acquired a 74% ownership of Southeast Family Life Insurance Company, an Arizona reinsurance corporation, which was subsequently liquidated in 2010.

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 2011Annual 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.

Policyholders

The business of the Company is conducted on the mutual plan. The By-Laws provide 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

The Company's Amended By-Laws state 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. In that event, the terms of the Directors in the first group shall expire at the first Annual Meeting after their election, the terms of the second group shall expire at the second Annual Meeting after election and the terms of the third group shall expire at the third Annual Meeting after their election. 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 at December 31, 2011:

Name and Residence	**Principal Occupation**
Richard T. Kizer Omaha, Nebraska	Chairman of the Board and Secretary of the Company
Edward D. Hotz Omaha, Nebraska	Partner, Hotz, Weaver, Flood, Breitkreutz & Grant
John E. Kizer Omaha, Nebraska	Chairman and President of Central States Indemnity Co. of Omaha
Thomas E. Kizer Omaha, Nebraska	President of the Company
William McBain Kizer Omaha, Nebraska	Chairman Emeritus of the Board of Central States Indemnity Co. of Omaha
William Michael Kizer Omaha, Nebraska	Treasurer of Central States Indemnity Co. of Omaha

Officers

According to the Amended Articles of Incorporation, "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 indicated 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 at December 31, 2011:

Name and Residence	**Office**
Richard T. Kizer	Chairman of the Board, Secretary & Treasurer
Thomas E. Kizer	President
Jeffrey J. Wanning	Senior Vice President, Operations
Jaime M. Amodeo	Vice President, Chief Investment Officer &Assistant Treasurer
David W. Dibben	Vice President & Chief Information Officer
William S. Dmytriw	Vice President, National Sales Director
Patti A. Honz	Vice President, Human Resources
Kelly J.C. Koch	Vice President, National Sales Director
Jacquelyn C. McCaslin	Vice President & Chief Actuary
Rebecca L. Smart	Vice President, General Counsel & Assistant Secretary
Ronald L. Wheeler	Vice President, Corporate Finance
Stephen Michael von Stein	Vice President, National Sales Director
Ann M. Wenzl	Vice President, Administration

Committees

No provision has been made in the Amended Articles of Incorporation or Amended 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 Audit Committee is made up of the entire membership of the Board of Directors.

The following persons were serving on the Investment and Finance Committee at December 31, 2011:

Jaime M. Amodeo	Richard T. Kizer
Leonard A. Pacer	

The following persons were serving on the Benefits Committee at December 31, 2011:

Jaime M. Amodeo	Patti A. Honz
Richard T. Kizer	Thomas E. Kizer
Jacquelyn C. McCaslin	Jeffery J. Wanning

The following persons were serving on the Risk Management Committee at December 31, 2011:

Richard T. Kizer	Thomas E. Kizer
Jacquelyn C. McCaslin	Jeffery J. Wanning

TRANSACTIONS WITH AFFILIATES

Service Agreement – Censtat Life Assurance Co.

In 1993, the Company entered into an agreement with its subsidiary, Censtat Life Assurance Co. (Censtat), whereby Censtat has employed the Company as its exclusive managing agent. Services provided by the Company include underwriting, actuarial studies, claims service, accounting, agents' licensing, records maintenance, other responsibilities for the efficient operation of business of Censtat 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 Censtat without prior written consent. The period of this agreement is for five years beginning on the effective date. This agreement can be terminated by either party upon sixty (60) days' notice in writing and is currently in effect until February 13, 2013. Compensation for the services provided shall be on a cost basis in an amount no greater than Censtat would expend in providing services for itself.

Service Agreement – Censtat Services, Inc.

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, other services necessary for the efficient operation of the business of such as office space, general overhead items, advertising, allocation of expenses and collection and handling of premium moneys and managerial services. This agreement is for a period of five (5) years

commencing with the effective date of February 15, 1993 and can be terminated at any time by mutual consent or by either party upon sixty (60) days' notice in writing. This agreement has been extended to February 13, 2013. Compensation for the services provided shall be on a cost basis in an amount no greater than Censtat Services would expend in providing services for itself.

Service Agreement – Censtat Financial, Inc.

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 Centstat Financial without prior consent. This agreement is for a period of five (5) years commencing with the effective date of February 1, 2000 and can be terminated at any time by mutual consent or by either party upon sixty (60) days' notice in writing to the other party. The agreement has been extended to February 1, 2015. Compensation for the services provided shall be on a cost basis in an amount no greater than Censtat Financial would expend providing such services for itself.

Service Agreement – Censtat Casualty Company

The Company entered into a Service Agreement with its subsidiary, Censtat Casualty Company (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. This Agreement has been extended to September 3, 2012. 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. Payment for these services is made on a monthly basis as billed by the Company.

Tax Allocation Agreement

The Company is a party to a tax allocation agreement with its subsidiaries. Under this Agreement, the consolidated tax liability of the Company and its subsidiaries, excluding Censtat Life Assurance Company, 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 either member exceeds the consolidated tax liability as a result of any excess loss or tax credits of either party, the parent shall pay each member its allocated portion of such excess amount.

Transactions with Central States Indemnity Co. of Omaha

From the formation of Central States Indemnity Co. of Omaha (CSI) in 1977 until 1992, the Company owned approximately 51 percent of CSI's capital stock or the capital stock of its parent, Central States of Omaha Companies, Inc. (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 agreement supporting the credit card credit insurance operations, primarily data processing, corporate finance, human resources, administration, and miscellaneous were entered between the Company and CSI simultaneous 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, 2012 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.

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, and the District of Columbia.

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). Administration of the long-term care business is managed by MAIC. 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, 2011, there were 25 employee Sales Agents and 146 independent General Agents who market these products in 46 states and Guam.

Central States Indemnity

Several life and health products are underwritten by the Company in conjunction with Central States Indemnity Co. of Omaha (CSI). Products are solicited on a direct basis to customers of financial institutions. The Company cedes this business to CSI Life Insurance Company, a 100% owned subsidiary of CSI. The Company receives a fee for producing this business. All sales and services of clients are managed and directed by CSI.

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.

Ceded – Life

The Company retains $100,000 of standard rated policies. Retention on substandard-rated policies is determined according to a table rating number ranging from none to $100,000 under several contracts with Business Men's Assurance Company (BMA) covering policies of Whole Life, Annual Renewable Term, and Accidental Death and Dismemberment. With the exception of its YRT contract effective February 1, 1994, the remaining treaties are coinsurance. All of the contracts are automatic, accepting up to five times the Company's retention, with the exception of the bulk ADB treaty accepting up to $300,000 automatically. A facultative option is available under all agreements. Commissions range from none under the YRT treaty to 100% for first year business. Renewal commissions generally range from 26% to 46% in years 1

through 10 and 7% to 27% over 10 years depending on the contract. Effective October 1, 2003, the Company entered into a novation agreement with BMA and Clarica Life Reinsurance Company (Clarica). The novation agreement provided that Clarica will assume, on a 100% coinsurance basis, all of BMA's rights, duties, risk, obligations and liabilities under the reinsurance treaties with BMA. Clarica, a shell life insurer, was purchased by Generali and has been renamed Generali USA Life Reassurance Company. On July 1, 2006, Generali entered into an assumptive reinsurance agreement with Optimum RE Insurance Company (Optimum RE). Generali sold, transferred and assigned to Optimum RE all of Generali's rights, duties, risk, obligations and liabilities under the reinsurance treaties.

Two agreements are in effect with Continental Assurance Company (Continental) covering Mortgage Decreasing Term and Whole Life products. Retention and limits are the same as Optimum RE (Generali) with both having a facultative option. Commissions range from 115% first year down to 16% for a smoker after the tenth policy year. Effective June 30, 2001, the Company entered into a novation agreement with Continental and Munich American Reassurance Company (Munich American Re). The novation agreement provided that Continental would transfer or assign the reinsurance contract and treaties as of the effective date to Munich American Re and all of Continental's rights, duties, risk, obligations and liabilities under the reinsurance treaties with the Company.

A Mortgage Decreasing Term Life Coinsurance contract effective January 1, 1988 with Employers Reassurance Corporation covers both single and joint lives. The reinsurer accepts up to four times the Company's retention of $100,000. The ceding commission ranges from 100% first year to 15% to 42.5% on renewal business.

An agreement with Scottish RE, formerly ERC Life Reinsurance Corporation, provides coverage for Credit Life Decreasing and Level term plans and Accident and Health Plans. Under this agreement, the Company retains 10% of the risk.

A June 1, 1990 Automated YRT agreement with Scottish RE, formerly Employers Reinsurance Corporation, covers individual life policies under level premium decreasing term, mortgage decreasing term, annual renewable term, single premium decreasing term, and level term with optional disability rider marketed through the Credit Insurance Division. The reinsured life policies have retention of $50,000 and a limit of $200,000. The reinsured disability policies have retention of $750 per month and a limit of $250 per month.

Effective October 1, 1995, Munich American Re reinsures the Company's Quick App Life Insurance Plan which is either single premium decreasing or level term life. The Company retains the first dollar to a maximum of $50,000. The reinsurer accepts 50% from the first dollar plus 100% of the excess. The maximum face amount is $150,000 for ages 18-55 and $100,000 ages 56-65. Maximum terms are 1-10 for level term or 1-15 for decreasing term for ages 18-59 and 1-5 years for both level and decreasing for ages 60-65. The Company no longer sells this product.

The Company entered into a coinsurance treaty effective July 1, 2001, with Munich American Re and CSI Life Insurance Company. 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.

Ceded – Accident and Health

The Company cedes the remainder of its individual and group accident and health coverages to Employers Reinsurance Corporation under the following arrangements:

Excess Mortgage Disability – Company retains the first $100,000 of losses and excess of $1,200 per month per person.

Excess Disability Income – Company retains the first $75,000 each person each occurrence with the reinsurer assuming the excess not to exceed $3,000 per month each person.

Personal Accident and Sickness Pro Rata – Company retains $5,000 accidental death and $200 monthly indemnity subject to pro rata share of loss that these amounts bears to the amount of indemnity in force.

Reinsurance ceded under the foregoing agreements is by specific mention of Company form and plan codes.

Ceded – Credit Life and Accident and Health

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. In addition, the Company deducts a ceding fee specified as a certain percent of the reinsurance premium. Terms of the individual agreements are set out below:

Effective	Reinsurer	Reinsured Limit
01-01-09	ACE Group Rein Company, Ltd. (termed in 2011)	Ceded 75%
08-01-11	Alambre Reinsurance, Ltd.	Ceded 100%
04-01-09	Alliance International Insurance, Inc.	Ceded 100%
08-01-06	Aria (SAC), Ltd.	Ceded 100%
12-01-07	Asset Insurance Company, Ltd.	Ceded 100%
01-01-10	Best Life Reinsurance Company, Ltd.	Ceded 100%
01-01-03	Black Beard Reinsurance, Ltd.	$ 15,000/500 mo.
04-01-12	Boca Grande Pass Reinsurance Company, Ltd.	Ceded 100%
08-01-06	Busgenbach Reinsurance (termed 2008)	Ceded 100%
08-01-06	Butler Life Insurance Company, Ltd.	Ceded 100%
07-01-09	C & D Life Reinsurance Company, Ltd.	Ceded 100%

Effective	Reinsurer	Reinsured Limit
12-01-07	C.L.V. Life Insurance Company	Ceded 100%
12-01-07	CAR Reinsurance, Ltd.	Ceded 100%
02-01-87	Centennial Life Insurance (name changed to Rushmore in 2011)	$ 25,000
01-01-89	Colorado FirstBank (termed in 2009)	14,000/500 mo.
07-01-09	Continental Texas Assurance Company	Ceded 100%
06-01-86	Cornhusker Life Insurance Company (termed in 2012)	15,000
07-14-97	Credit Insurance Company of America (termed in 2008)	50,000/500 mo.
01-01-12	Cuatro Vista Reinsurance Company, Ltd.	Ceded 100%
08-01-06	D.C.W.N.A. Reinsurance, Ltd. (termed in 2012)	Ceded 100%
09-01-10	Demontrond Insurance Agency, Ltd.	Ceded 100%
05-01-99	Diversified Casualty Company, Ltd.	30,000/550 mo.
10-01-08	East Arkansas Gem Life Insurance Company	Ceded 75%
07-01-97	Edina Life Reinsurance Company (runout in 2008)	15,000/350 mo.
06-01-09	Emerald Bay Reinsurance, Ltd., SPC	Ceded 100%
01-01-07	Ethos Performance, Ltd.	Ceded 100%
04-14-11	First Continental Texas, Ltd.	Ceded 100%
01-01-09	Galaxie Capital and Reinsurance, Ltd. (termed in 2012)	Ceded 75%
08-01-00	Gasconade Limited (runout in 2008)	25,000/750 mo.
12-01-07	Glendale Insurance Company, Ltd.	Ceded 100%
08-01-06	Greater Atlantic Insurance Company, Ltd.	Ceded 100%
01-01-12	Hatchett and Son Reinsurance Ltd.	Ceded 100%
08-06-06	Interwest Life Insurance Company, Ltd.	Ceded 100%
01-01-00	Jim, Mike, Ted Reinsurance, Ltd.	20,000/500 mo.
07-01-09	JMC Preferred Reinsurance Company (termed in 2012)	Ceded 100%
12-01-11	Jordanlite Reinsurance Company, Ltd.	Ceded 100%
08-01-06	Kelley Life Insurance Company	Ceded 100%
12-01-07	Kenwood Insurance Company, Ltd.	Ceded 100%
04-15-12	L.E. Rob Company, Ltd.	Ceded 100%
12-01-07	Lincoln General Insurance	100,000/1,000 mo.
07-01-09	LMH Life Reinsurance Company	Ceded 100%
08-01-00	London Life Reinsurance Company (termed in 2010)	100,000/1,000 mo.
07-01-09	Lowenfield Life Reinsurance Company	Ceded 100%
08-01-11	M.D.N., Ltd.	Ceded 100%
01-01-07	M & R Reinsurance, Ltd.	Ceded 100%
08-01-06	M.J. Miller Reinsurance, Ltd. (termed in 2008)	Ceded 100%
12-01-98	M.M. Iten Equity Reinsurance, Ltd. (runout in 2012)	20,000/500 mo.
09-01-12	Mack Massey Auto Services, Inc.	Ceded 100%
09-01-93	Marquette Indemnity & Life Insurance Company	15,000/350 mo.
12-01-07	McCoy & McCoy Enterprises, Ltd.	Ceded 100%

Effective	Reinsurer	Reinsured Limit
12-01-11	Mid America Insurance (TCI), Ltd.	Ceded 100%
12-01-11	Middlebury Reinsurance Company, Ltd.	Ceded 100%
02-20-87	Midwest Insurance Services Company, Ltd. (termed in 2012)	$ 15,000
01-01-03	Mike D. Anderson Reinsurance, Ltd.	15,000/500 mo.
04-01-12	Millbrook Farm Reinsurance Company, Ltd.	Ceded 100%
12-01-07	Moon Reinsurance, Ltd. (termed in 2012)	Ceded 100%
08-01-06	Motorcar Guardian Life Ins. Company, Ltd.	Ceded 100%
04-01-10	Munday Insurance Company, Ltd.	Ceded 100%
10-01-07	Munich American Reassurance Company	Ceded 100%
06-01-86	Nationwide Life Insurance Company	20,000
08-01-06	O'Brien National Life Ins. Company, Ltd. (termed in 2008)	Ceded 100%
12-01-07	Odana Life Reinsurance Company	Ceded 100%
01-01-01	Olivia Life Insurance Company (termed in 2008)	25,000/500 mo.
04-01-12	One Particular Harbor Reinsurance Company, Ltd.	Ceded 100%
01-01-01	Orange Security Life Insurance Company	25,000/500 mo.
01-01-03	Pine Ridge Life, Ltd.	10,000/250 mo.
12-15-95	Pinnacle Bancorp, Ltd. (termed in 2008)	25,000
10-01-86	Prairie Insurance, Ltd.	22,500
01-01-07	Ricart, Ltd.	Ceded 100%
12-01-07	Rockford Life Insurance Company	Ceded 100%
02-01-87	Rusmore Reinsurance Company II, Ltd. (formerly Centennial in 2010)	25,000
10-01-03	Scottish Re, Inc.	100,000/1,000 mo.
07-01-09	Silverado Life Reinsurance Company	Ceded 100%
08-01-06	Steven Reinsurance Company, Ltd.	Ceded 100%
01-01-07	Southeast Family Life (termed in 2010)	Ceded 100%
03-01-07	Stumpf Holdings Reinsurance (termed in 2010)	Ceded 100%
08-01-00	Sunset Auto Reinsurers, Ltd.	25,000/750 mo.
11-01-11	Swiss Life, Ltd.	Ceded 90%
08-01-06	Tarheel Reinsurance, Ltd.	Ceded 100%
07-01-09	Tesoro Life Reinsurance Company, Ltd.	Ceded 100%
07-01-10	Texas Founders Reinsurance, Ltd.	Ceded 100%
12-01-07	The Chicago Standard Insurance Company, Ltd.	Ceded 100%
07-01-09	Thunderbird Life Reinsurance Company	Ceded 100%
11-01-99	TierOne Reinsurance Company	20,000/500 mo.
12-01-11	Toska Reinsurance Company, Ltd.	Ceded 100%
08-01-06	Trails Endless Reinsurance, Inc., Ltd.	Ceded 100%
07-01-09	TRC Reinsurance Company, Ltd.	Ceded 100%
01-01-10	Tres Vista Reinsurance Company, Ltd.	Ceded 100%
05-01-05	UNC Reinsurance	27,000/450 mo.
04-01-10	Venture Life Reinsurance Company, Ltd.	Ceded 100%
07-01-09	Western Preferred Life Insurance Company	Ceded 100%

Effective	Reinsurer	Reinsured Limit
02-01-08	Woodhouse Reinsurance Company, Ltd.	Ceded 90%
01-01-12	Zoom Group, Ltd.	Ceded 100%

Generally, life premium is ceded on a written basis and disability on an earned basis and agreements include a related trust agreement or provision for funds to be withheld, or a letter of credit.

Censtat Life Assurance Co. (Censtat), an Arizona domestic stock life and disability reinsurer is a subsidiary of the Company. Censtat functions as a reinsurer for credit life and credit disability insurance written through the Company. All issued voting stock (Class A) of Censtat was held by CSO until June, 2009. At that time, by vote of the Board of Directors, the Articles of Incorporation of Censtat 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.

Censtat 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 Sereis 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. Censtat has not issues 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.

A subsidiary of the Company, Southeast Family Life Insurance Company (SFLIC), assumed the business generated for the Company and SFLIC's previous owner JMIC Life Insurance Copmany by Participating Preferred Class A and Class B shareholders of SFLIC on a 100% quota share basis through December 31, 2009. All reinsurance treaties were terminated and recaptured by the Company and JMIC Life Insurance Company on December 31, 2009. SFLIC was liquidated in 2010.

The Company reinsures its single premium credit life and credit accident and health business under an Automatic Coinsurance Agreement effective March 1, 1989. This agreement with Munich American Re covers cessions up to $150,000 in excess of the Company's $50,000 retention on credit life and $500 per month in excess of the Company's $750 per month retention on credit accident and health. These retentions include the Company's retention for its cessions to the captive reinsurance companies. This agreement also contains an experience refund provision. This agreement was terminated for new business issued on or after January 1, 2006. It remains effective for the inforce business issued December 31, 2005 and prior.

Ceded - 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 an d 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
American Health and Life Insurance Company (for Bank of America)
Banc One Life Insurance Company
CSI Life Insurance Company
Household Life Insurance Company
Huntington National Life Insurance Company
ICOM Limited
Miami Valley Insurance Company

National City Life Insurance Company

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, the 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 Insurance Company, a subsidiary of CSI.

Ceded – Discontinued Accident and Health

Effective January 1 2005, the Company made a decision to move their focus toward credit life and health and debt cancellation business and moved away from their other lines of business (LTC, Med Supp, Critical Illness, Cancer, and Disability Income). At that time, they entered into contracts with various administrators and reinsurers to cede the business.

Effective January 1, 2005, the Company entered into a reinsurance agreement with Med America Insurance Company (MAIC) and the previous novation and assignment agreements between the Company and MAIC terminated. Under this agreement, the Company cedes 100%

of its Long Term Care business. The Company retains a ceding fee of 8% of net collected premiums which is then paid to MAIC as an administration fee.

Philadelphia American Life Insurance Company (PALIC) assumes the Cancer, Critical Illness, Other Health, and Disability Income business and GenRe assumes 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 is subject to assumption.

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:

	2008	2009	2010	2011
Bonds	$227,868,940	$236,795,149	$229,398,495	$239,421,172
Admitted assets	320,029,944	329,652,325	331,408,787	343,792,438
Aggregate reserves for life contracts	93,339,181	95,273,000	100,208,588	99,618,574
Aggregate reserves for accident & health contracts	88,080,599	85,050,721	85,626,225	86,432,544
Total liabilities	234,884,756	231,547,145	229,126,154	239,274,879
Capital and surplus	85,145,189	98,105,181	102,282,633	104,517,559
Premiums earned	85,547,498	57,757,088	65,941,010	61,760,043
Net investment income	13,386,628	13,893,324	17,084,869	14,725,953
Death benefits	11,703,109	12,773,268	13,309,632	12,357,958
Disability benefits	8,251,835	7,778,486	8,636,164	8,906,402
Net income	(759,338)	4,153,530	5,742,617	8,558,095
Life insurance in-force (in thousands)	5,265,613	5,327,245	5,821,513	6,127,534

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflects the financial condition of the Company at December 31, 2011 and its transactions during the year 2011 as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2011

Assets	**Assets**	**Assets Not Admitted**	**Net Admitted Assets**
Bonds	$239,421,172		$239,421,172
Preferred stocks	1,997,796		1,997,796
Common stocks	34,170,035	$ 50,364	34,119,671
Mortgage loans on real estate	12,087,626		12,087,626
Real estate held for production of income	5,704,562		5,704,562
Real estate held for sale	513,234		513,234
Cash and short-term investments	5,227,051		5,227,051
Contract loans	3,066,564	3,678	3,062,886
Other invested assets	27,544,215	804,371	26,739,845
Receivables from other than securities	286,165		286,165
Subtotal, cash and invested assets	$330,018,421	$ 858,412	$329,160,009
Investment income due and accrued	2,507,214		2,507,214
Uncollected premiums and agents' balances in the course of collection	3,635,284	35,564	3,599,720
Deferred premiums, agents' balances and installments booked but deferred and not yet due	556,283		556,283
Amounts recoverable from reinsurers	963,999		963,999
Funds held by or deposited with reinsured companies	3,768		3,768
Other amounts receivable under reinsurance contracts	1,863,175		1,863,175
Current federal and foreign income tax recoverable and interest thereon	378,248		378,248
Net deferred tax asset	4,965,825	1,100,627	3,865,198
Guaranty funds receivable or on deposit	147,448		147,448
Electronic data processing equipment and software	431,171	300,236	130,935
Furniture and equipment	749,834	749,834	
Receivables from parent, subsidiaries and affiliates	4,726		4,726
Other assets	1,876,803	1,617,619	259,184
Due from Central States Indemnity	318,340		318,340
Sales tax refund due	23,114		23,114
Due from SWBC DCC admin	6,611		6,611
Due from Philadelphia American Life	4,466		4,466
Totals	$348,454,730	$4,662,292	$343,792,438

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	$99,618,574
Aggregate reserve for accident and health contracts	86,432,544
Liability for deposit-type contracts	223,398
Life claims	2,790,278
Accident and health claims	1,028,431
Dividends apportioned for payment	86,059
Premiums and annuity considerations for life and accident and health contracts received in advance	5,654
Other amounts payable on reinsurance	2,276,776
Interest maintenance reserve	5,699,105
Commissions to agents due or accrued	1,853,907
Commissions and expense allowances payable on reinsurance assumed	2,353
General expenses due or accrued	983,822
Taxes, licenses and fees due or accrued	477,833
Unearned investment income	104,966
Amounts held for agents' account	706,400
Remittances and items not allocated	1,013,411
Asset valuation reserve	7,158,315
Reinsurance in unauthorized companies	3,118,657
Funds held under reinsurance treaties with unauthorized reinsurers	19,083,071
Drafts outstanding	753,495
Funds held under coinsurance	62,522
Other liabilities	670,499
Payable to Lenders Protection RRG	5,624
Payable to Central States Indemnity	1,359
Debt cancellation administration clearing	13,611
Abandoned property escheat items	196,074
Pension liability	4,908,142
Total liabilities	$239,274,879
Unassigned funds (surplus)	$104,517,559
Total capital and surplus	$104,517,559
Totals	$343,792,438

SUMMARY OF OPERATIONS – 2011

Premium and annuity considerations for life and accident and health contracts	$61,760,043
Net investment income	14,725,953
Amortization of interest maintenance reserve	987,020
Commissions and expense allowances on reinsurance ceded	19,647,698
Reserve adjustments on reinsurance ceded	(75,119)
Miscellaneous income – credit card fees	151,544
Miscellaneous income	244,487
Totals	$97,441,626
Death benefits	$12,357,958
Matured endowments	54,311
Disability benefits and benefits under accident and health contracts	8,906,402
Surrender benefits and withdrawals for life contracts	1,402,260
Interest and adjustments on contract or deposit-type contract funds	41,242
Payments on supplementary contracts with life contingencies	2,061
Increase in aggregate reserves for life and accident and health contracts	216,305
Totals	$22,980,538
Commissions on premiums, annuity considerations and deposit-type contract funds	$44,231,447
Commissions and expense allowances on reinsurance assumed	55,554
General insurance expenses	18,406,027
Insurance taxes, licenses and fees	2,058,732
Increase in loading on deferred and uncollected premium	(4,193)
Interest expense on funds held	75,513
Fines/penalties and interest expense	6,280
Totals	$87,809,899
Net gain from operations before dividends, federal income taxes and net realized capital gains	$ 9,631,727
Dividends to policyholders	(83,400)
Federal income taxes incurred	(1,788,315)
Net realized capital gains	798,083
Net income	$ 8,558,095

CAPITAL AND SURPLUS ACCOUNT

	2008	2009	2010	2011
Capital and surplus, beginning	$ 99,049,580	$85,145,189	$ 98,105,181	$102,282,633
Net income	$ (759,338)	$ 4,153,530	$ 5,742,617	$ 8,558,095
Change in net unrealized capital gains	(7,471,920)	8,250,569	270,369	(1,214,303)
Change in net deferred income tax	3,225,802	(692,940)	(6,146,337)	(1,134,940)
Change in nonadmitted assets	(132,764)	1,190,850	5,073,683	2,381,186
Change in liability for reinsurance in unauthorized companies	(280,962)	(361,666)	(1,618,383)	(639,035)
Change in reserve on account of change in valuation basis	(281,492)			
Change in asset valuation reserve	1,427,268	(1,740,891)	(1,276,728)	(1,181,324)
Change in surplus as a result of reinsurance	(5,017,054)	(581,290)		
Additional pension liability	(4,613,931)	2,741,830	1,516,216	(4,552,257)
Change in future profitability in JM&A			513,967	
Prior year Stumpf rescission			102,048	
Removal of funds held accounts for Interwest and ACE				17,504
Net change for the year	$(13,904,391)	$12,959,993	$ 4,177,452	$ 2,234,926
Capital and surplus, ending	$ 85,145,189	$98,105,181	$102,282,633	$104,517,559

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of $104,517,559, as reported in the Company's 2011Annual 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

Investments – Custodial Agreements

During review of the custodial agreements, it was noted that the custodial agreement with FHLB Topeka was not in compliance with all of the provisions of Title 210, Chapter 81 of the Nebraska Department of Insurance Rules and Regulations, in particular 003.02(a), 003.02(b), 003.02(c), 003.02(e), 003.02(f), 003.02(g)(i), 003.02(g)(ii), 003.02(h), 003.02(j), 003.02(n), and 003.02(o). It is recommended that the Company revise its custodial agreements to include all provisions related to safeguards and controls of securities pursuant to Title 210, Chapter 81 of the Nebraska Department of Insurance Rules and Regulations.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

> **Investments – Custodial Agreements** – It is recommended that the Company revise its custodial agreements with the custodians holding securities on its behalf to include all provisions related to safeguards and controls of securities pursuant to Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81.

ACKNOWLEDGEMENT

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

In addition to the undersigned, Joe C. Hofmeister, CFE, Derek J. Petersen, CFE, Linda K. Scholl, CFE, Andrea D. Szwanek, CFE, Wade B. Fleischacker, and Elizabeth I. Hofker, Financial Examiners; Gary E. Evans, CFE, CISA, AES, Information Systems Specialist; and Dan E. Eckstein, ASA, CIE, Life Actuarial Examiner; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

Isaak Russell, CFE
Assistant Chief Examiner, Exam
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Isaak Russell, 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 & Life Co. of Omaha.

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 & Life Co. of Omaha 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 ISAAK RUSSELL on this 12 day of JUNE, 2013.

GENERAL NOTARY - State of Nebraska
JUDY LYNN MEISNER
My Comm. Exp. Aug. 17, 2014

(SEAL)

Notary Public

My commission expires 8/17/2014 [date].