

CERTIFICATION

September 28, 2015

I, Bruce R. Ramage, 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
CSI LIFE INSURANCE COMPANY

as of

December 31, 2014

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE
SEP 28 2015
FILED

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.



Bruce R. Ramage
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Take notice that the proposed report of the financial examination of

CSI LIFE INSURANCE COMPANY

dated as of December 31, 2013, verified under oath by the examiner-in-charge on August 25, 2015, and received by the company on August 28, 2015, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 14 day of September, 2015.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

CSI LIFE INSURANCE COMPANY

as of

December 31, 2014



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Omaha, Nebraska
July 13, 2015

Honorable Bruce R. Ramage
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 400
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:

CSI LIFE INSURANCE COMPANY
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, 2010 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2014, and includes such subsequent events and transactions as were considered pertinent to this report.

The same examination staff conducted a concurrent financial condition examination of the Company's parent, Central States Indemnity Co. of Omaha (CSI).

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 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.

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 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, and approval of investment transactions 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 Deloitte & Touche, LLC, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2013. The December 31, 2013 audit workpapers were reviewed because the December 31, 2014 audit was not completed at the time of this examination. 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 organized and incorporated as a limited stock insurance company under the laws of the State of Arizona on November 21, 1973, and received its first Certificate of Authority from the State of Arizona on April 22, 1974. On July 1, 1978, the Company qualified and received its Certificate of Authority as an Arizona domestic life and disability reinsurer.

Effective November 25, 1992, the Arizona Department of Insurance approved the Company's acquisition by Berkshire Hathaway Inc. (BHI). BHI purchased controlling interest in the holding company, Central States of Omaha Companies, Inc. (CSInc).

In 2001, the Company received approval from the Arizona Department of Insurance to convert its charter a full lines life insurance company. In 2002, the Company strengthened its capital position in preparation of seeking admission and redomestication to the State of Nebraska by eliminating its Class B stock and selling an additional 2,500,000 shares of common stock to its parent, CSI.

Effective December 31, 2002, the Company redomiciled to the State of Nebraska and effective January 30, 2003, changed its name from Aksarben Life Insurance Company to CSI Life Insurance Company.

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 2014 Annual Statement, is represented by the following (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 direct subsidiaries of the Company.

Berkshire Hathaway, Inc. (33.53524% owned by Warren E. Buffett)
Central States of Omaha Companies, Inc. (88.41%)
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 authorized capital stock of the corporation shall be Six Million Dollars (\$6,000,000.00) and shall consist of Six Million (6,000,000) shares of common stock of One Dollar (\$1.00) par value each." Company records indicate that 3,000,000 of said shares were issued and outstanding for a total paid up capital of \$3,000,000 at December 31, 2014. All such shares are held by the parent, CSI. The capital stock and paid in and contributed surplus of \$3,000,000 and \$3,607,403, respectively, have not changed during the examination period.

Article VII of the Company's Articles of Incorporation provides that the annual meeting of shareholders shall be held on the second Tuesday in March of each year.

Board of Directors

Article VII of the Company's Articles of Incorporation states that, "the affairs of the corporation shall be conducted by a Board of Directors, and by such Officers as the said Directors may at any time elect or appoint. Any Officer or Director need not be a stockholder of this corporation. The number of Directors, not fewer than five (5) nor more than fifteen (15), shall be designated and elected by the stockholders at their annual meeting."

Article II of the Company's By-Laws states that, "the Board of Directors shall meet immediately following the adjournment of each annual meeting of the stockholders for the election of Officers of the corporation and the transaction of such other business as may come

before the meeting. Special meetings of the Board of Directors may be called at any time by the President, or in his absence, by any member of the Board of Directors.”

The following persons were serving as Directors at December 31, 2014:

<u>Name and Residence</u>	<u>Principal Occupation</u>
John Edward Kizer Omaha, Nebraska	President of CSI and the Company
Richard Thomas Kizer Omaha, Nebraska	Chairman of Central States Health & Life Co. of Omaha
William McBain Kizer Omaha, Nebraska	Retired Chairman Emeritus of CSI
William Michael Kizer Omaha, Nebraska	Retired President of the Company
Kevin John Moran Omaha, Nebraska	Executive Vice President and Treasurer of CSI the Company

Officers

The Company’s By-Laws state that, “the Executive Officers of the corporation shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer, and other Officers as may from time to time be elected by the Board or appointed by the President, each of whom shall hold his office during the pleasure of the Board of Directors.”

The following is a listing of Officers elected and serving the Company at December 31, 2014:

<u>Name</u>	<u>Office</u>
John E. Kizer	Chairman of the Board and President
Kevin J. Moran	Executive Vice President and Treasurer
Gary F. Craft	Senior Vice President, Business Development
Kenneth C. Beckman	Vice President, Actuary
Thomas B. Schlichting	Vice President and Chief Financial Officer
Michael H. Jensen	Corporate Counsel and Secretary

Committees

The following persons were serving on the Investment Committee at December 31, 2014:

John E. Kizer
Thomas B. Schlichting

Kevin J. Moran

The entire Board of Directors comprised the Audit Committee at December 31, 2014.

TRANSACTIONS WITH AFFILIATES

Administrative Services Agreement – CSI

The Company entered into an agreement with its parent, CSI, effective January 1, 1995 and amended three times, most recently March 15, 2004. CSI provides the Company 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 CSI and paid by the Company.

Incentive Plan Expense Reimbursement Agreement

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

Tax Allocation Agreement

Effective May 25, 2000, the Company entered into 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 have 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 the profitable affiliates to loss affiliates for tax benefits generated by loss affiliates.

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

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states and the District of Columbia, with the exception of New Hampshire and New York.

The current business activity of the Company is primarily the reinsurance of credit and direct response specialty term life and disability insurance products of Central States Health & Life Co. of Omaha (CSO). Until 1992, the Company's parent, CSI was a subsidiary of CSO, at which time control was sold to BHI. The reinsured products are sold in conjunction with and jointly administered with the insurance products of CSI. Products referred to above are almost exclusively sold through, and to the customers of banks, retailers, and utilities using both direct mail and telemarketing.

In 2014, 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.

REINSURANCE

Assumed

Effective July 1, 2001, the Company assumes 33% of certain life insurance contracts on a first dollar quota share basis. The Company receives 33% of the actual gross premiums charged including its share of policy fees less scheduled commissions. The Company pays its proportionate share of claims and claims expenses, excluding salaries of CSO employees. The Company does not reimburse for any premium tax arising from these contracts.

Effective January 1, 2004 and amended January 1, 2008, the Company began assuming 100% of CSO's liability under reinsured policies for insurance in force on and after the effective date of the agreement (including policies and certificates reinsured under the January 1, 1995 agreement which was superseded by this agreement). Reinsured policies include all individual and group policies and certificates of credit life, credit accidental death and credit accident and health insurance, issued or assumed by CSO, unless otherwise reinsured, that provide coverage on the outstanding balance of credit cards. Any premiums, reinsurance recoveries, or other sums of any nature due CSO arising out of the reinsured policies are assigned to the Company as the sole premium for this reinsurance. Adjustment and settlement of claims, payment of loss adjustment and legal expenses are the responsibility of the Company or its parent, CSI.

Also effective January 1, 2004, the Company assumes 100% of the liability under reinsured policies for insurance in force on or after the effective date for certain individual and

group policies along with certificates of life and health and accident insurance that are issued or renewed by CSO on or after the effective date of the agreement (including policies and certificates reinsured under an April 1, 2000 agreement which was superseded by this agreement). Any premiums, reinsurance recoveries, or other sums of any nature due CSO arising out of the reinsured policies are assigned to the Company as the sole premium for agreement. Adjustment and settlement of claims, payment of loss adjustment and legal expenses are the responsibility of the Company or its parent, CSI.

Ceded

Effective October 10, 2014, 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 in the States of Illinois, Arizona, North Carolina, Tennessee, and Colorado. The agreement is continuous, subject to ninety days' written notice of cancellation for new business at any time after the first anniversary date.

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Bonds	\$12,464,293	\$11,706,383	\$11,696,899	\$11,698,808
Admitted assets	16,960,994	17,544,095	18,090,316	17,690,913
Aggregate reserves for life contracts	1,146,417	1,194,973	1,323,386	1,365,036
Total liabilities	3,576,809	3,650,531	3,813,782	3,050,095
Capital and surplus	13,384,185	13,893,564	14,276,534	14,640,817
Premium income	4,401,324	3,983,170	3,759,258	3,417,361
Net investment income	298,933	692,700	669,250	670,628
Death benefits	771,094	1,104,460	1,008,819	993,906
Net income	364,483	541,102	526,243	427,560

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 ended December 31, 2014. 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 capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2014

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$11,698,808		\$11,698,808
Common stocks	847,123		847,123
Cash and short-term investments	4,120,140		4,120,140
Contract loans	<u>12,041</u>		<u>12,041</u>
Subtotal, cash and invested assets	\$16,678,113		\$16,678,113
Investment income due and accrued	183,983		183,983
Uncollected premiums and agents' balances in course of collection	636,488		636,488
Deferred premiums and agent's balances not yet due	150,634		150,634
Net deferred tax asset	126,104	\$84,409	41,695
Other amounts receivable	<u>9,759</u>	<u>9,759</u>	<u> </u>
Totals	<u>\$17,785,081</u>	<u>\$94,168</u>	<u>\$17,690,913</u>

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	\$ 1,365,036
Aggregate reserve for accident and health contracts	96,844
Life contract claims	351,876
Accident and health contract claims	58,060
Premiums received in advance	29,365
Interest maintenance reserve	274,755
Commissions on reinsurance assumed	518,117
General expenses due or accrued	104,978
Taxes, licenses and fees	(49,298)
Federal income taxes	231,703
Amounts withheld or retained as agent	151
Asset valuation reserve	58,288
Drafts outstanding	(2,521)
Miscellaneous liability	<u>12,741</u>
Total liabilities	<u>\$ 3,050,095</u>
Common capital stock	\$ 3,000,000
Gross paid in and contributed surplus	3,607,403
Unassigned funds (surplus)	<u>8,033,414</u>
Total capital and surplus	<u>\$14,640,817</u>
Totals	<u>\$17,690,912</u>

SUMMARY OF OPERATIONS – 2014

Premiums	\$3,417,361
Net investment income	670,628
Amortization of interest maintenance reserve	<u>33,254</u>
Income total	\$4,121,243
Death benefits	\$ 993,906
Disability benefits	35,937
Surrender benefits	11,281
Increase in aggregate reserves	<u>12,637</u>
Benefits total	\$1,053,761
Commissions on premiums	\$ 234,665
Commissions and expense allowances on reinsurance assumed	1,187,602
General insurance expenses	834,329
Insurance taxes, licenses and fees	162,773
Increase in loading on deferred and uncollected premiums	<u>(70,351)</u>
Benefits and expenses total	\$3,402,779
Net gain from operations before federal income taxes	\$ 718,464
Federal income taxes incurred	<u>290,904</u>
Net income	<u>\$ 427,560</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital and surplus, beginning	<u>\$12,891,795</u>	<u>\$13,384,188</u>	<u>\$13,893,568</u>	<u>\$14,276,534</u>
Net income	\$ 364,483	\$ 541,102	\$ 526,243	\$427,560
Change in net unrealized capital gains		7,475	(13,659)	(93,111)
Change in net deferred income tax	17,296	39,181	(68,185)	(8,390)
Change in nonadmitted assets	77,340	(103,657)	(41,715)	51,204
Change in asset valuation reserve	<u>33,274</u>	<u>25,277</u>	<u>(19,807)</u>	<u>(12,981)</u>
Net change for the year	<u>\$ 492,393</u>	<u>\$ 509,378</u>	<u>\$ 382,877</u>	<u>\$ 364,282</u>
Capital and surplus, ending	<u>\$13,384,188</u>	<u>\$13,893,568</u>	<u>\$14,276,441</u>	<u>\$14,640,816</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$8,033,414, as reported in the Company's 2014 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

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

COMMENTARY ON CURRENT EXAMINATION FINDINGS

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

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no findings warranting comment as a result of this examination.

ACKNOWLEDGEMENT

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

In addition to the undersigned, Derek Petersen, CFE, MCM, Brian Davis, Ross Pedersen, Financial Examiners; Linda Scholl, CFE, CISA, Information Systems Specialist; and Rhonda Ahrens, FSA, MAAA, Actuarial Specialist; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Isaak Russell, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

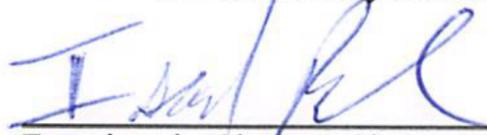
State of Nebraska,

County of Lancaster,

Isaak Russell, being duly sworn, states as follows:

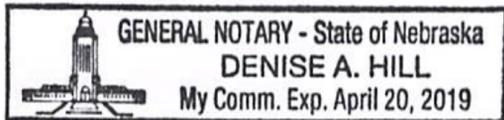
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Central States Indemnity Company and CSI Life Insurance Company.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Central States Indemnity Company 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.

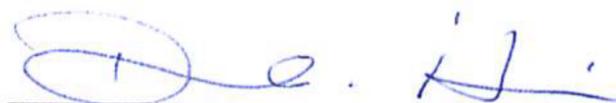
The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Isaak Russell on this 25 day of Aug, 2015.

(SEAL)




Notary Public

My commission expires 4-20-19 [date].