




2008 Annual Report



*“Believe it!
High expectations are the key to everything.”
- Sam Walton*

\$100 MILLION



Letter from the Chairman and President

In 2008, for the first time in our history, Central States Health & Life Co. of Omaha (CSO) achieved single premium credit insurance production exceeding \$100 million. Attaining this level of production was both meaningful and gratifying to everyone at Central States. It represents a level of success reached by only a few others in the credit insurance market, and reflects our emergence as a key player in the industry. George Bernard Shaw insightfully wrote “The real moment of success is not the moment apparent to the crowd.” We recognize that while this \$100 million milestone was achieved in 2008, the success it represents can be traced to the diligent work and preparation found in the efforts of our employees, agents and client institutions over many years. Central States is grateful for these efforts.

Perhaps the most critical component of Central States’ success over the years has been its financial strength and stability. It has enabled CSO to grow and thrive in times of economic prosperity, and weather the storm in more uncertain times. This past year has been especially challenging as financial market turmoil undermined consumer confidence and eroded both business and personal wealth. Central States experienced its share of negative fallout due to the struggling economy. While we achieved a milestone with respect to credit insurance premiums written, the beleaguered economy had a pronounced impact on the psyche of our customers as well as sales momentum, particularly during the fourth quarter of 2008. In addition, as the corporate credit and mortgage security markets became increasingly onerous, our investment portfolio experienced both realized and unrealized valuation losses. However, because of our strong capital position, losses in relation to policyowner surplus are well within acceptable parameters. Our Risk Based Capital ratio, a metric used to measure the level of capital/surplus required to support insurance and investment related risk, remains very strong and well above industry averages. Finally, our singular focus on the debt protection market has produced a strategic move towards more identifiable and manageable risks. The resulting improvement to our liability structure translates to more predictable earning patterns and greater financial stability.

Central States’ strong surplus position has provided the principal competitive advantage which we have leveraged to grow premium production and consistently gain market share. CSO has rapidly ascended to a position as one of the Top Ten producers of traditional credit insurance in the United States. While Central States’ foundation is deeply rooted in the community bank market, our geographic footprint has expanded to a national scale as a result of our alliances with JMIC, Universal Underwriters (Zurich) and Resource Life (The Warranty Group). These alliances have augmented our organic growth, provided new distribution opportunities for complimentary debt cancellation products and helped CSO compete more effectively due to an improved expense structure. The experience gained with these alliances and related account conversions have positioned Central States as a primary consolidator in the credit insurance market, and solidified our reputation as an industry leader. We recognize that consolidation in the credit insurance industry is likely to continue, and we are uniquely positioned to benefit from this process.

Consistent with our singular focus on the debt protection market, we have well-defined strategic initiatives developed to capitalize on credit insurance consolidation opportunities.

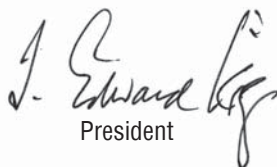
Our most recent alliance, with Service Life and Casualty Insurance Company, will position CSO to acquire account relationships with an additional 350 auto dealership groups. With Central States as its facilitator, Service Life will exit the credit insurance market and assume a general agent role for CSO, presenting our credit insurance products to its extensive dealer base. Our alliances with JMIC, Universal Underwriters, Resource Life, and now Service Life have complimented our business model and materially enhanced our distribution system in the auto dealer market. As a result, we now work with nearly 48% of the Top 125 auto dealership group accounts in the U.S., serving the debt protection needs of their customers.

The recent alliance with Service Life will further advance Central States among the Top Ten U.S. providers of traditional credit insurance. In addition, we continue to develop our debt cancellation product platform to diversify our product portfolio and position CSO as a leader in the broader and evolving debt protection market. Consequently, as a compliment to our traditional credit insurance offerings, we are developing our Secure Pay PlusSM product which we expect to be a significant contributor to our portfolio of debt protection products in the future. Further evidence of our long term commitment to the broader debt protection market is the growth of our subsidiary companies, which have been structured to enhance our marketing opportunities for debt cancellation products. Legislative issues related to credit insurance are a constant challenge to our industry. Central States has been proactive and has taken a leadership role in addressing these issues, advancing the industry agenda to ensure the ongoing stability and growth of the credit insurance and debt protection markets.

While much of Central States' growth over the last few years can be attributed to successful account conversions related to strategic alliances in the auto dealer market, this distribution channel is not our only path to increased market share. Central States' traditional core market includes auto dealers, banks and credit unions (our ABC's). Our search for debt protection opportunities is ongoing in each of these markets, aided by a diverse team of independent general agents, client institutions and home office employees dedicated to specific distribution channels, states and regions.

Central States has developed a clear business model focused exclusively on debt protection products, and continues to work diligently towards the successful implementation of its business plan. We remain committed to the credit insurance market, and expect to enhance our role and profile as a key player in the consolidation of the industry and provider of debt protection products and services. We firmly believe, as Abraham Lincoln wrote, "I will study and get ready and someday my chance will come." Central States has indeed prepared itself well and stands ready to meet the challenges that lie ahead. Our chance has come. Our goal is clear. We strive to be recognized as a market leader in our industry. As we work to achieve this goal, we are at once building a future for our success.


Chairman


President

Mission Statement



Central States Health & Life Co. of Omaha (CSO) exists to help people enhance their lives by offering quality insurance products and services, thereby assisting people in minimizing their financial risks.

In pursuit of this mission, CSO strives to:

Maintain a strong financial base and be governed by its trustee obligations.

Maintain a reasonable diversity of products, targeting areas where CSO is best qualified.

Develop a highly skilled and productive group of professionals and create a working environment that supports their personal and career goals.

Monitor the changing marketplace and incorporate that change into our products and people.

Maintain constructive and informed relationships with regulatory groups.

In our desire to stress quality in all things and expand on a sound basis, CSO recognizes a theme of "To Care is to Grow" in every business decision.

While in the long term CSO's success is measured in dollars, we exist to serve the needs of our policyholders, client institutions, agents and dedicated personnel.

Financial Summary*

as of December 31, 2008
Central States Health & Life Co. of Omaha

Admitted Assets	2007	2008
Fixed Maturities	\$233,799,944	\$238,012,957
Stocks	7,229,823	5,960,679
Real Estate, EDP and Equipment	7,453,122	7,610,542
Cash, CDs and Commercial Paper	6,693,878	7,622,488
Other Invested Assets	41,868,737	38,495,250
Other Assets	13,881,146	12,130,756
Reinsurance Recoverable	47,149,126	55,490,982
Deferred Policy Acquisition Costs	58,276,303	66,430,738
Total Assets	\$416,352,079	\$431,754,392
Liabilities		
Life Reserves	\$115,044,748	\$126,186,335
Accident & Health Reserves	95,898,255	111,732,642
Unpaid Claims	17,038,417	17,374,524
Other Liabilities	36,555,001	42,076,034
Funds Held Under Reinsurance Treaties	4,283,482	5,394,405
Total Liabilities	\$268,819,903	\$302,763,940
Policyowner Contingency Reserves		
Policyowner Reserves	\$149,702,860	\$146,763,724
Net Unrealized Investment Gain/(Loss)	(2,170,684)	(17,773,272)
Total Policyowner Contingency Reserves (Surplus)	\$147,532,176	\$128,990,452
Total Liabilities and Policyowner Contingency Reserves	\$416,352,079	\$431,754,392

*Based on Generally Accepted Accounting Principles

Directors, Officers and Sales Managers

***Richard T. Kizer**

Chairman

Central States Health & Life Co. of Omaha

***T. Edward Kizer**

President

Central States Health & Life Co. of Omaha

***John E. Kizer**

Chairman & President

Central States Indemnity

***William McBain Kizer**

Chairman Emeritus

Central States Indemnity

***William Michael Kizer**

Treasurer

Central States Indemnity

***Edward D. Hotz**

Attorney

Hotz, Weaver, Flood & Breitreutz

Jaime M. Amodeo

Vice President & Chief Investment Officer

William W. Baker II

Regional Vice President

Carlos L. Barnett

Regional Vice President

John E. Benson

Area Vice President

Polly M. Biehl

Assistant Vice President

Assistant Counsel

Charles P. Bourgeois

Regional Manager

Shane M. Bryan

Assistant Vice President

National Sales

Robert S. Chandler

Regional Manager

Karen M. Chleborad

Assistant Vice President

Product Actuary

Jeffrey W. Clark

Vice President & National Sales Director

David W. Dibben

Vice President & Chief Information Officer

James A. Dettman

Regional Manager

Michael J. Dmytriw

Regional Manager

William S. Dmytriw

Vice President & National Sales Director

Peter S. Gault

Regional Manager

E. Gerald Gebhart

Regional Vice President

Raymond J. Geraghty

Regional Manager

Carleen A. Gerjevic

ALHC, ACS, CIFI, FLMI, AHFI, HCAFA, AIRC

Second Vice President

Special Investigations/Legal

Jeffrey L. Hageman

FLMI

Assistant Vice President

Quality Support Services

Michael E. Hall

Regional Manager

Joseph A. Hammen

Regional Vice President

Patrice A. Honz

CEBS

Vice President

Human Resources

Kelly JC Koch

Vice President & National Sales Director

Joseph A. Kush

Regional Manager

Directors, Officers and Sales Managers

Mark A. LaMonica
Regional Manager

Blake A. Lehmann
Regional Manager

Maridyth A. Maas
Regional Manager

Dominic D. Madia
Regional Manager

Jacquelyn C. McCaslin
Vice President & Chief Actuary

Michael E. McLaughlin
FLMI/M, CLU, AIRC, AIAA, PCS, ARA
Vice President
Business & New Product Development

Dewey L. Miller
Regional Manager

Sharon T. Neal
FLMI
Assistant Vice President
Management Information & Implementation Services

David E. Okeson
Regional Vice President

Ronald L. Peterson
Regional Vice President

David A. Ramos
Regional Assistant Vice President

Tyge D. Rowen
Regional Assistant Vice President

Karen A. Sandberg
ALHC
Second Vice President
Compliance & Product Services

Scott M. Sexson
Regional Vice President

Jane M. Shanahan
ALHC
Second Vice President
Claims

Rebecca L. Smart
Vice President, General Counsel & Assistant Secretary

Richard A. Snow
Regional Manager

Steven R. Speciale
Regional Manager

Brian T. Stamp
Regional Manager

Karen L. Steinmeyer
Second Vice President
Account Services

Gerald G. Thurber
Regional Vice President

Robert F. Trzecinski
Regional Assistant Vice President

James B. Vaughan
Second Vice President
Information Services Infrastructure

S. Michael von Stein
Vice President & National Sales Director

Daniel L. Walsh
Assistant Vice President
Training & Development

Gregory J. Walstrom
Regional Vice President

Jeffrey J. Wanning
Senior Vice President
Operations

Ann M. Wenzl
FLMI, ALHC, FLHC, ACS, HIA, MHP, AIAA, AIRC, ARA
Vice President
Administration

Ronald L. Wheeler
Vice President
Corporate Finance

Gary L. White
Regional Manager





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