

2018

COMPANY OVERVIEW  
AND STATEMENT OF  
OPERATIONS



CSO

Central States Health & Life Co. of Omaha

## CHAIRMAN'S AND PRESIDENT'S MESSAGE

Central States Health & Life Co. of Omaha (CSO) has experienced significant change over the last ten years, with 2018 being a particularly pivotal year for our company. Changing banking regulations resulted in a nearly complete shift in the primary market focus for our debt protection products, from Midwest centric community banks, to automobile dealers and credit unions located throughout the country.

Annually, our management team meets to consider, discuss and formulate key strategic initiatives to guide CSO towards continued growth and success. In recent years, the focus of our initiatives has primarily been in three areas: broader diversification of product offerings, the successful rollout of a new auto dealer focused product and continued growth in our core debt protection business through acquisitions or alliances.

We are excited to report significant progress towards each of these initiatives in 2018, and are encouraged by the meaningful impact each will have of the future success of our business.

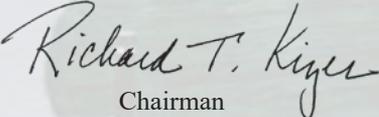
Our initiative to more broadly diversify our product offerings has been central to our long-term goal to mitigate business risk by achieving a more diversified revenue base. In early 2018, we were presented with and quickly capitalized on a unique opportunity. We acquired an \$80mm block of Medicare Supplement business from Central States Indemnity (CSI), our former subsidiary and now affiliated with Berkshire Hathaway. This agreement also included the management of a \$40mm block of Medicare Supplement business from GenRe. In addition to the acquisition of these blocks of business, CSO will maintain an ongoing relationship with a national marketer (Integrity Marketing Group) and product administrator (IAS) both formerly used by CSI for this business. We are excited by this new opportunity which reflects a nearly turnkey arrangement for CSO.

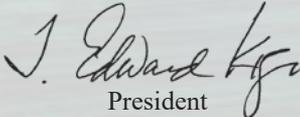
With encouraging results, another of our primary initiatives is now being implemented. For the last few years, we have been working to develop and refine a new product designed to be sold in auto dealership F&I offices. In 2018, we successfully launched our Value Protector (Diminished Asset Protection) product in select markets. This product is designed to protect the diminished value of vehicles damaged due to accidents. With auto dealers looking for products that bring customers back into their stores, this product has emerged as an important dealer loyalty program with strong support in our dealer distribution system.

CSO has long been an industry leader in consolidating credit insurance business in the auto dealer market on a national scale. During 2018, CSO secured a new credit insurance alliance with Louisiana Dealer Services (LDS). This most recent alliance reflects continued success in our initiative to pursue continued growth in our core debt protection business by seeking out consolidation opportunities. We began to transition this business in the second quarter of 2018, and are excited to add LDS to our alliance group.

The successful implementation of these key initiatives in 2018 reflects a clear desire to diversify our product, line of business and revenue base. While we will continue to sell our single premium credit products in our traditional markets, our goal will always be to evolve and grow for the benefit of our policyholders and valued customers.

CSO was built on the premise of caring: for our policyholders, customers, business partners, agents and employees. We thank each of you for your commitment to CSO, and for your business.

  
Chairman

  
President

# FINANCIAL SUMMARY AS OF DECEMBER 31, 2018

BASED ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

	2017	2018
<b>Admitted Assets</b>		
Fixed Maturities	\$300,965,075	\$273,481,737
Stocks	23,599,761	19,698,841
Real Estate, EDP and Equipment	5,849,254	5,160,431
Cash, CDs and Commercial Paper	6,024,264	5,497,658
Other Invested Assets	74,641,411	75,651,118
Reinsurance Recoverable	85,906,858	73,662,513
Deferred Policy Acquisition Costs	54,916,474	62,676,771
Other Assets	9,628,199	25,812,277
<b>Total Assets</b>	<b>\$561,531,296</b>	<b>\$541,641,346</b>
<b>Liabilities</b>		
Life Reserves	\$136,957,096	117,784,650
Accident & Health Reserves	101,815,775	89,036,051
Unpaid Claims	13,585,474	17,915,674
Other Liabilities	30,740,213	43,117,494
Funds Held Under Reinsurance Treaties	48,063,171	44,585,755
<b>Total Liabilities</b>	<b>\$331,161,729</b>	<b>\$312,439,624</b>
<b>Policyowner Contingency Reserves</b>		
Policyowner Reserves	\$226,987,273	235,114,548
Net Unrealized Investment Gain/(Loss)	3,382,294	(5,912,827)
<b>Total Policyowner Contingency Reserves - Surplus</b>	<b>\$230,369,567</b>	<b>\$229,201,721</b>
<b>Total Liabilities and Policyowner Contingency Reserves</b>	<b>\$561,531,296</b>	<b>\$541,641,346</b>

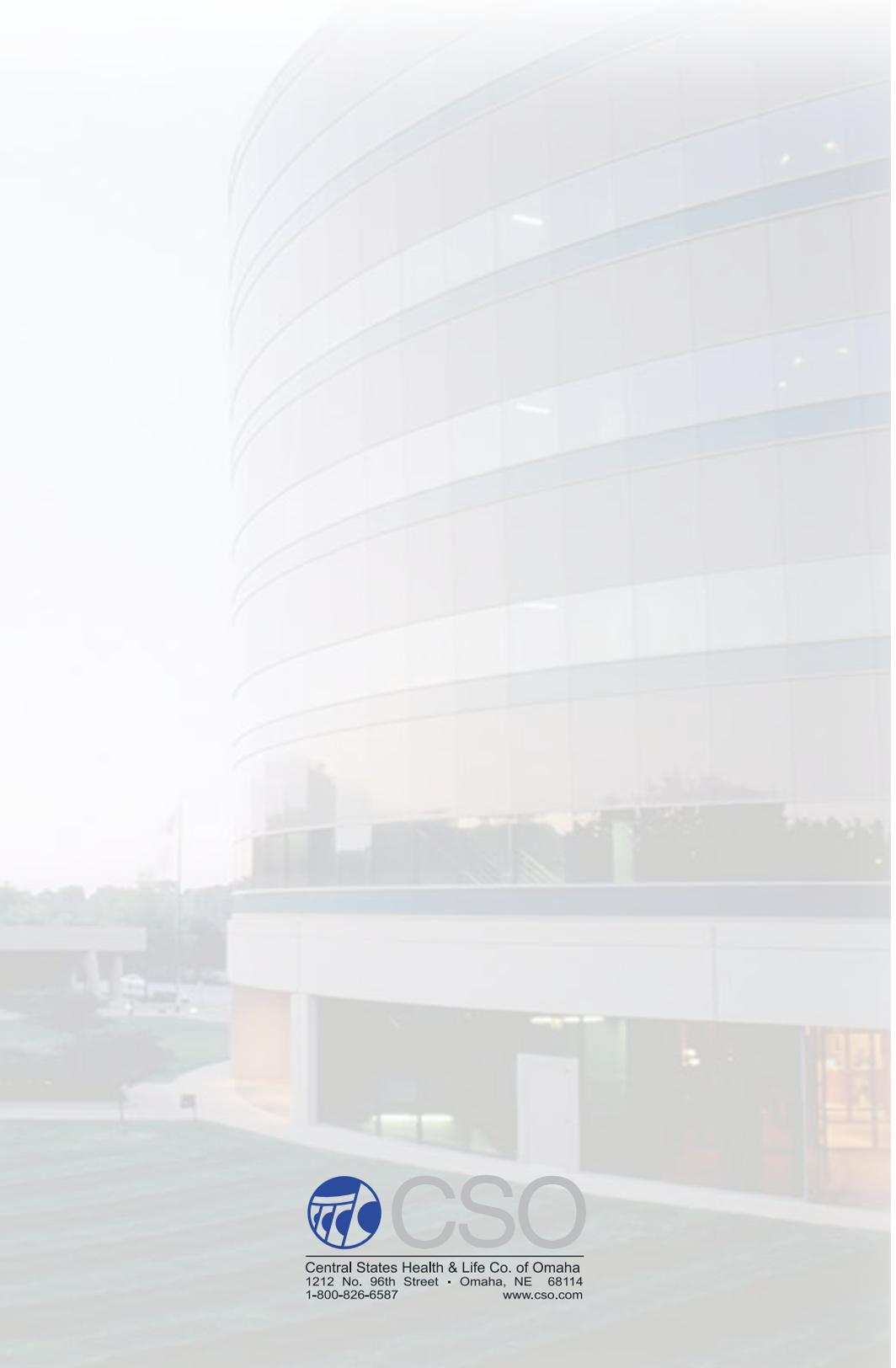
## ABOUT CSO

CSO is a mutually owned insurance company based in Omaha, Nebraska employing a team of dedicated individuals focused on the needs of the company's client institutions, agents, customers and policyholders. CSO conducts business in every state (except New York), as well as Guam and Saipan. The company strives to be the provider of choice in the markets they serve with its motto, "To Care is To Grow" the guiding philosophy behind how business is done.

A solid history of successful business practice has provided CSO with an exceptionally strong financial base. In 2018, CSO and its subsidiaries, Censtat Life Assurance Company and Censtat Casualty Company, were assigned an A.M. Best Financial Strength credit rating of A- (Excellent).\* Since 2012, CSO has completed annual Service Organization Control (SOC) audits covering the financial, information systems controls and related applications used by CSO for administration of its business partner's programs.

CSO boasts a strong and proud history. With over 85 years of experience in the business of extending various insurance products, CSO possesses the knowledge and skills required to extend superior service and products to its policyholders and business partners alike.

\*A.M. Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders. For the latest rating, access [www.ambest.com](http://www.ambest.com).



# CSO

Central States Health & Life Co. of Omaha  
1212 No. 96th Street • Omaha, NE 68114  
1-800-826-6587

[www.cso.com](http://www.cso.com)