

2020 Company Overview and Statement of Operations



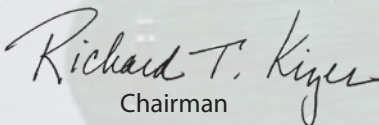
Central States Health & Life Co. of Omaha

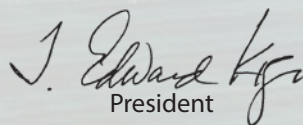
CHAIRMAN'S AND PRESIDENT'S MESSAGE

For Central States Health & Life Co. of Omaha (CSO), 2020 was a year unlike any other. By the end of the first quarter there was increasing fear regarding Covid-19, as well as how it would impact our business model and investment results. In addition, our agents and business partners shared deep concerns regarding future sales in the coronavirus environment. Surprisingly, by year end, CSO enjoyed one of its best years on record primarily due to credit protection sales and claims; Medicare Supplement sales and loss ratios; and unexpectedly strong investment returns.

- Entering into the COVID-19 epidemic, we anticipated a substantial reduction in our debt protection production. We focused on working closely, but remotely, with our accounts, and the results were positive. Year over year credit insurance and debt protection production was only down approximately 3%. A much better than expected result. CSO's debt protection products assisted those affected by COVID-19, by paying Covid-19 related claims during the year. With the addition of COVID-19 claims, our overall loss ratios on the business lines were still within normal ranges. Looking ahead to 2021, we are encouraged by recent developments that may provide a boost to our credit insurance/debt cancellation production.
- Medicare Supplement new business production came in close to projections with total in force premium increasing from its level in 2019. Loss ratios were below projected levels; we believe this most likely to be a timing event, with loss ratios returning to pre-Covid levels as senior vaccinations and resulting herd immunity become more prevalent. We are encouraged by the growing national footprint of our Medicare Supplement marketing partner, Integrity Marketing Group (IMG), the largest marketing group of senior products in the U.S. Additionally, IMG recently purchased Insurance Administrative Solutions (IAS) of Clearwater, Florida, currently the third-party administrator of CSO's Medicare Supplement products.
- Successful investment outcomes delivered a materially positive impact on CSO's financial statements. CSO's overall portfolio quality, broad investment diversification and exceptional incremental returns on alternative investments combined to drive strong investment results by year end. In particular, 2020 was a standout year for our alternative platform reflecting the benefits of broad asset class diversification and diligent risk management.

We reflect back on 2020 with the understanding that we have, by necessity, adapted to and met the challenges of the most difficult personal and professional environments any of us may ever encounter again. Internally, we believe CSO has effectively handled Covid-related personnel and remote work challenges to mitigate business disruption, while taking care of the needs of our employees, business partners and policyholders. We are grateful to have been able to manage through this difficult time, effectively executing our business model and maintaining our financial strength and ability to pursue future opportunities for growth.


Chairman


President

FINANCIAL SUMMARY AS OF DECEMBER 31, 2020
BASED ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

	<u>2019</u>	<u>2020</u>
Admitted Assets		
Fixed Maturities	\$271,354,000	\$275,763,562
Stocks	22,062,354	10,238,276
Real Estate, EDP and Equipment	5,512,089	4,698,482
Cash, CDs and Commercial Paper	6,383,273	23,058,648
Other Invested Assets	81,637,916	87,369,669
Reinsurance Recoverable	70,319,656	68,572,682
Deferred Policy Acquisition Costs	67,148,007	68,869,620
Other Assets	26,018,627	27,667,891
Total Assets	<u><u>\$550,075,922</u></u>	<u><u>\$566,238,830</u></u>
Liabilities		
Life Reserves	\$108,020,627	\$101,241,109
Accident & Health Reserves	76,263,425	66,085,735
Unpaid Claims	15,837,345	19,227,907
Other Liabilities	51,021,818	55,162,648
Funds Held Under Reinsurance Treaties	45,430,916	42,678,313
Total Liabilities	<u><u>\$296,574,131</u></u>	<u><u>\$284,395,712</u></u>
Policyowner Contingency Reserves		
Policyowner Reserves	\$248,165,476	\$268,691,399
Net Unrealized Investment Gain/(Loss)	5,336,315	13,151,719
Total Policyowner Contingency Reserves - Surplus	<u><u>\$253,501,791</u></u>	<u><u>\$281,843,118</u></u>
Total Liabilities and Policyowner Contingency Reserves	<u><u>\$550,075,922</u></u>	<u><u>\$566,238,830</u></u>

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, and policyholders. CSO conducts business in every state (except New York), as well as Guam and Saipan. We strive to be the provider of choice in the markets we serve with our motto, "To Care is To Grow" being the guiding philosophy on how we conduct business.

A solid history of successful business practice has provided CSO with an exceptionally strong financial base. In 2020, CSO and our 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 for administrating our business partner's programs. With over 85 years of experience in the business, CSO possesses the knowledge and skills required to provide superior service and products to our 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.