



Central States Health & Life Co. of Omaha



ANNUAL STATEMENT

MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

By most measures, 2023 will go down as a successful year for Central States Health & Life Co. of Omaha (CSO). Most notable was the successful mediation involving the reserve value for CSO's block of long-term care policies. Originally ceded to another carrier to administer in 2006, CSO was notified in 2019 of our need to re-assume responsibility for the long-term care policies. In 2023, CSO settled the arrangement, recapturing the long-term care policies along with reserves for the risk. The administration of the policies was transferred to a leading third-party insurance administrator specializing in long-term care.

During 2023, CSO onboarded over 200 new accounts from competitors exiting the consumer debt protection market. These new accounts represent a significant opportunity in the credit insurance and debt cancellation business. Most of the new business will be through credit unions and banks, along with some via automobile dealership loan originators. The addition of this new block of business coincides with and will help offset the impact of auto lenders restricting the financing of credit insurance within the dealership market, CSO's largest credit insurance channel. With the restriction, we expect our auto market share to decrease, yet we are encouraged as our continued emphasis on growing our credit union and bank markets has resulted in increased production.

Aligning with a national affinity marketing organization brings the addition of four new products to CSO's portfolio. Filings for travel accident, cancer, hospital indemnity and life products will mark the entry into an established and proven affinity sales channel for CSO. Marketing of these products will commence in May. Further, work is developing on the test marketing of CSO's Dental, Vision, and Hearing (DVH) insurance plan through this affinity marketing partner.

Rising interest rates will provide years of tailwinds for CSO's investment portfolio. In 2023 the book yield on CSO's growing bond portfolio increased from 3.25% to 3.74% and is now up almost a full percent versus 2021. And with the help of an improving market, CSO's bond portfolio delivered a 7% return in 2023. CSO's significant alternative investment portfolio generated an exceptional return of 11.5%, bringing the company's total investment portfolio return to 8%. We expect our investment returns to outperform results from our insurance operations for the foreseeable future.

In 2022, medical inflation and market competition lead CSO to temporarily stop selling Medicare supplement policies. That decision also affected the production of CSO's new DVH policy, which was developed to complement agent sales of Medicare supplement plans. We expect the 2024 production of new DVH policies to accelerate with the marketing campaign slated with the affinity marketing organization. Although marketing for new Medicare supplement sales has, for now, been stopped, CSO continues to insure, manage, and oversee the administration of a more than \$78,000,000 block of Medicare supplement business.

As CSO looks to the future, we will continue our efforts toward diversification by identifying products that are complementary to our distribution channels. We are fast approaching our 100th year anniversary and are reminded of our humble beginnings when, in 1932 during the depression, our founder, T. L. Kizer, sold one hundred people a \$11 hospitalization policy. In 1932, our company had no surplus; by year-end 2024, we expect our surplus to exceed \$200,000,000.

Our company's mission stays steadfast: CSO exists to help people enhance their lives by offering quality insurance products and services, thereby assisting people in minimizing their financial risks.

T. Edward Kizer
Chairman and Secretary

Matthew B. Kizer
President

CSO's Regional Sales Force

William S. Dmytriw

Vice President, National Sales
Director - Regional Sales Force

Dean L. Gristy

Regional Manager, Southwest

Michael E. Hall

Lead Regional Manager, Southeast

Richard E. Kick

Regional Assistant Vice
President, North Central

Kelly J.C. Koch

Vice President, New Business
& Product Development

Anthony R. Lane

Lead Regional Manager, Great Lakes

Tyge D. Rowen

Regional Vice President, Midwest

Jason T. Gretler

Regional Vice President, Central

Scott M. Sexson

Divisional Vice President,
Rocky Mountain

Cory W. Talbott

Regional Manager, Midwest

FINANCIAL SUMMARY AS OF DECEMBER 31, 2023

Based on Generally Accepted Accounting Principles

Admitted Assets	2022	2023
Fixed Maturities	\$ 230,930,594	\$ 264,382,276
Stocks	14,543,363	12,848,384
Real Estate, EDP and Equipment	4,133,405	5,792,722
Cash, CD's and Commercial Paper	12,079,320	12,932,103
Other Invested Assets	82,159,641	88,816,778
Reinsurance Recoverable	70,604,502	54,210,930
Deferred Policy Acquisition Costs	72,348,433	67,305,796
Other Assets	23,379,968	22,630,518
Total Assets	\$ 510,179,226	\$ 528,919,507

Liabilities	2022	2023
Life Reserves	\$ 99,688,812	\$ 92,942,085
Accident & Health Reserves	54,511,881	66,348,666
Unpaid Claims	16,228,930	15,166,301
Other Liabilities	41,705,859	42,648,220
Funds Held Under Reinsurance Treaties	39,334,161	38,296,478
Total Liabilities	\$ 251,469,643	\$ 255,401,750

Policyowner Contingency Reserves	2022	2023
Policyowner Reserves	\$ 283,260,951	\$ 291,715,081
Net Unrealized Investment Gain/(Loss)	(24,551,368)	(18,197,324)
Total Policyowner Contingency Reserves - Surplus	\$ 258,709,583	\$ 273,517,757

Total Liabilities and Policyowner Contingency Reserves	\$ 510,179,226	\$ 528,919,507
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AM Best Rating

A solid history of successful business practice has provided CSO with an exceptionally strong financial base. In 2023, CSO and its subsidiaries, *Censtat Life Assurance Company* and *Censtat Casualty Company*, were assigned an AM Best Financial Strength credit rating of A- (Excellent)*.

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 and California), 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.

* AM 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 Best's Credit Rating, access www.ambest.com.



CSO

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