

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089
		2011
		This Form is Open to Public Inspection

Part I	Annual Report Identification Information
For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>CENTRAL STATES INDEMNITY CO. OF OMAHA EMPLOYEES PENSION PLAN</u>	<table border="1"> <tr> <td>1b Three-digit plan number (PN) ►</td> <td><u>001</u></td> </tr> <tr> <td>1c Effective date of plan</td> <td><u>01/01/1995</u></td> </tr> </table>	1b Three-digit plan number (PN) ►	<u>001</u>	1c Effective date of plan	<u>01/01/1995</u>
1b Three-digit plan number (PN) ►	<u>001</u>				
1c Effective date of plan	<u>01/01/1995</u>				
2a Plan sponsor's name and address, including room or suite number (Employer, if for single-employer plan) <u>CENTRAL STATES INDEMNITY CO. OF OMAHA</u> <u>1212 N. 96TH ST., P.O. BOX 34888</u> <u>OMAHA, NE 68134-9723</u>	<table border="1"> <tr> <td>2b Employer Identification Number (EIN) <u>47-0591908</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>402-997-8000</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>524290</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>47-0591908</u>	2c Sponsor's telephone number <u>402-997-8000</u>	2d Business code (see instructions) <u>524290</u>	
2b Employer Identification Number (EIN) <u>47-0591908</u>					
2c Sponsor's telephone number <u>402-997-8000</u>					
2d Business code (see instructions) <u>524290</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>10/11/2012</u>	<u>THOMAS SCHLICHTING</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2011)
v.012611

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") CENTRAL STATES INDEMNITY CO. OF OMAHA 1212 N. 96TH ST., P.O. BOX 34888 OMAHA, NE 68134-9723	3b Administrator's EIN 47-0591908 3c Administrator's telephone number 402-997-8000
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	294
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	134
b Retired or separated participants receiving benefits.....	6b	46
c Other retired or separated participants entitled to future benefits.....	6c	102
d Subtotal. Add lines 6a , 6b , and 6c	6d	282
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	6
f Total. Add lines 6d and 6e	6f	288
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	0

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

1A 1G 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)	9b Plan benefit arrangement (check all that apply)
(1) ☐ Insurance	(1) ☐ Insurance
(2) ☐ Code section 412(e)(3) insurance contracts	(2) ☐ Code section 412(e)(3) insurance contracts
(3) ☒ Trust	(3) ☒ Trust
(4) ☐ General assets of the sponsor	(4) ☐ General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)

(2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary

(3) ☒ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
(2) ☐ **I** (Financial Information – Small Plan)
(3) ☐ **A** (Insurance Information)
(4) ☒ **C** (Service Provider Information)
(5) ☐ **D** (DFE/Participating Plan Information)
(6) ☐ **G** (Financial Transaction Schedules)

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2011 This Form is Open to Public Inspection
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>CENTRAL STATES INDEMNITY CO. OF OMAHA EMPLOYEES PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>CENTRAL STATES INDEMNITY CO. OF OMAHA</u>	D Employer Identification Number (EIN) <u>47-0591908</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☒ 101-500 ☐ More than 500

Part I	Basic Information
1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2011</u>	
2 Assets:	
a Market value	2a <u>11314124</u>
b Actuarial value	2b <u>11215838</u>
3 Funding target/participant count breakdown:	
a For retired participants and beneficiaries receiving payment	3a (1) Number of participants <u>39</u> (2) Funding Target <u>1940685</u>
b For terminated vested participants	3b <u>107</u> <u>2481197</u>
c For active participants:	
(1) Non-vested benefits	3c(1) <u>0</u>
(2) Vested benefits	3c(2) <u>5351271</u>
(3) Total active	3c(3) <u>148</u> <u>5351271</u>
d Total	3d <u>294</u> <u>9773153</u>
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)	
a Funding target disregarding prescribed at-risk assumptions	4a
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b
5 Effective interest rate	5 <u>6.10 %</u>
6 Target normal cost	6 <u>425047</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>06/15/2012</u>
Signature of actuary	Date
<u>GREGG RUESCHHOFF, A.S.A.</u>	<u>11-04349</u>
Type or print name of actuary	Most recent enrollment number
<u>MILLIMAN, INC.</u>	<u>402-393-9400</u>
Firm name	Telephone number (including area code)
<u>1120 SOUTH 101ST STREET</u> <u>OMAHA, NE 68124-1088</u>	
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2011
v.012611

Part II		Beginning of year carryover and prefunding balances	
		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	1051268	1957372
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9	Amount remaining (line 7 minus line 8)	1051268	1957372
10	Interest on line 9 using prior year's actual return of <u>6.44</u> %	67702	126055
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38 from prior year)		366342
b	Interest on (a) using prior year's effective rate of <u>6.66</u> % except as otherwise provided (see instructions)		24398
c	Total available at beginning of current plan year to add to prefunding balance		390740
d	Portion of (c) to be added to prefunding balance		0
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	1118970	2083427

Part III		Funding percentages	
14	Funding target attainment percentage	14	81.99 %
15	Adjusted funding target attainment percentage	15	114.76 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	103.08 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV		Contributions and liquidity shortfalls			
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/15/2011	450000				
10/26/2011	450000				
			Totals ►	18(b)	900000
				18(c)	0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contributions from prior years	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 871235
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	
Liquidity shortfall as of end of quarter of this plan year	
(1) 1st	(2) 2nd
0	0
(3) 3rd	(4) 4th
0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 2.94%	2nd segment: 5.82%	3rd segment: 6.46 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 0
22 Weighted average retirement age				22 65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	425047	
b Excess assets, if applicable, but not greater than 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	0	0	
b Waiver amortization installment	0	0	
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	425047	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	0	0
36 Additional cash requirement (line 34 minus line 35)	36	425047	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	871235	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	446188	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension funding relief under Pension Relief Act of 2010 (see instructions)

41 If a shortfall amortization base is being amortized pursuant to an alternative amortization schedule:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2011
		This Form is Open to Public Inspection.

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

A Name of plan <u>CENTRAL STATES INDEMNITY CO. OF OMAHA EMPLOYEES PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CENTRAL STATES INDEMNITY CO. OF OMAHA</u>	D Employer Identification Number (EIN) <u>47-0591908</u>

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

WESTCHESTER CAPITAL MANAGEMENT INC

801 N. 96TH STREET
OMAHA, NE 68114

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
28	NONE	74346	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III **Termination Information on Accountants and Enrolled Actuaries (see instructions)**
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2011 This Form is Open to Public Inspection
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For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>		
A Name of plan <u>CENTRAL STATES INDEMNITY CO. OF OMAHA EMPLOYEES PENSION PLAN</u>	B Three-digit plan number (PN) ►	<u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CENTRAL STATES INDEMNITY CO. OF OMAHA</u>	D Employer Identification Number (EIN) <u>47-0591908</u>	

Part I	Asset and Liability Statement		
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	8319	7961
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)	15825	16235
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	3781352	3134569
(2) U.S. Government securities.....	1c(2)	455241	464061
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)	231154	212946
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)	6706890	8311176
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	136728	0
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	11335509	12146948

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	11335509	12146948
---	-----------	----------	----------

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	900000	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		900000
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	82	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)	16896	
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		16978
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	221649	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		221649
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	-12727	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-12727
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		3317
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		1129217

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	242828	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		242828
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	74346	
(4) Other	2i(4)	604	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		74950
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		317778

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		811439
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☐ Yes ☒ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: LUTZ & COMPANY, PC

(2) EIN: 47-0625816

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		4000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....	X		
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?

If "Yes," enter the amount of any plan assets that reverted to the employer this year..... ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2011 This Form is Open to Public Inspection.
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

A Name of plan <u>CENTRAL STATES INDEMNITY CO. OF OMAHA EMPLOYEES PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CENTRAL STATES INDEMNITY CO. OF OMAHA</u>	D Employer Identification Number (EIN) <u>47-0591908</u>

Part I	Distributions
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All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>47-0591908</u> Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	<u>7</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. Complete as many entries as needed to report all applicable employers.

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

**Central States Indemnity Co. of Omaha
Employees' Pension Plan**

Financial Statements and Independent Auditors' Report

December 31, 2011 and 2010



Central States Indemnity Co. of Omaha Employees' Pension Plan

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Note: Schedules required by the Employee Retirement Income Security Act of 1974 that have not been included herein are not applicable.

INDEPENDENT AUDITORS' REPORT

Retirement Committee
Central States Indemnity Co. of Omaha Employees' Pension Plan
Omaha, Nebraska

We have audited the accompanying statements of net assets available for benefits of the Central States Indemnity Co. of Omaha Employees' Pension Plan as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Central States Indemnity Co. of Omaha Employees' Pension Plan as of December 31, 2011 and 2010, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz & Company, P.C.

October 5, 2012

Central States Indemnity Co. of Omaha Employees' Pension Plan

Statements of Net Assets Available for Benefits

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Investments at Fair Value (Notes 5 and 6)		
Common Stocks	\$ 8,311,176	\$ 6,706,890
Government and Municipal Bonds	464,061	455,241
Corporate Bonds	212,946	231,154
Mutual Fund	-	136,728
Money Market Funds	3,134,569	3,781,352
Total Investments	12,122,752	11,311,365
Accrued Investment Income Receivable	16,235	15,825
Cash	7,961	8,319
NET ASSETS AVAILABLE FOR BENEFITS	\$ 12,146,948	\$ 11,335,509

Central States Indemnity Co. of Omaha Employees' Pension Plan

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment Income		
Net Appreciation in Fair Value of Investments (Notes 5 and 6)	\$ -	\$ 561,478
Interest from Investments	16,978	36,957
Dividends from Investments	221,649	135,412
Total Investment Income	238,627	733,847
Employer Contributions (Note 4)	900,000	900,000
Total Additions	1,138,627	1,633,847
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Net Depreciation in Fair Value of Investments (Notes 5 and 6)	9,410	-
Benefits Paid Directly to Participants	242,828	201,795
Administrative Expenses and Other Fees	74,950	67,380
Total Deductions	327,188	269,175
NET INCREASE	811,439	1,364,672
Net Assets Available for Benefits, Beginning of Year	11,335,509	9,970,837
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	\$ 12,146,948	\$ 11,335,509

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

1. Plan Description

The following brief description of the Central States Indemnity Co. of Omaha Employees' Pension Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined benefit pension plan covering certain employees of Central States Indemnity Co. of Omaha (the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective June 1, 2006, the Plan was amended to close participation in the Plan to employees who are first employed by the Company after May 31, 2006. Employees hired prior to June 1, 2006 were included in the Plan on the first day of the month after satisfying the eligibility requirements of attaining age 19 and completing one year of employment with 1,000 hours of service.

Pension Benefits

Eligible employees are entitled to pension benefits at the normal retirement of age 65 equal to 1.5% of final average compensation times years of credited service less .62% of the final average compensation, up to covered compensation, times years of credited service. Final average compensation is the average of base salary over the five consecutive years prior to the employees' normal retirement date or for the period of employment, if shorter, which would produce the highest average. Covered compensation is the average of the taxable wage bases for 35 years ending with a participant's social security retirement age. Credited service is limited to 25 years. The Plan also provides for pre-retirement death benefits, late retirement benefits and early retirement benefits. Early retirement benefits commence at age 55, with a reduction in the normal retirement benefit. Participants may elect to receive their pension benefits in the form of a life annuity or a joint and survivor annuity with three available options. If the participant terminates employment before the normal retirement age or the early retirement age, the Company may require the participant to accept a lump-sum payment of their vested benefits for any amounts below \$5,000. The Plan requires that lump-sum payments between \$1,000 and \$5,000 be directly rolled over to an individual retirement account designated by the plan administrator in the event the participant does not elect otherwise. Lump-sum payments under \$1,000 will be paid out to the participant in the event the participant does not elect one of two options. Benefits are recorded when paid.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

Death and Disability Benefits

If a married, vested participant dies prior to being eligible for early retirement, the participant's surviving spouse will be eligible to receive a monthly benefit beginning on the participant's early retirement date. The monthly benefit is equal to 50% of the vested accrued benefit reduced for early retirement and to reflect payment in the form of a joint and 50% survivor annuity. If a married participant, who is eligible for early retirement dies, the participant's spouse is entitled to an immediate monthly benefit. The benefit is equal to the monthly annuity the spouse would have received if the participant had retired the day before the participant's death and had elected the "joint and 50% survivor" option. Active employees who become totally disabled will remain active Plan participants. If the employee remains disabled until the normal retirement date, the employee will receive retirement benefits computed as though they had been employed to normal retirement age with their annual compensation remaining the same as the last complete year of employment prior to disability. Benefit payments are recorded when paid.

Vesting

Participants become 100% vested in their benefits after five years of service or attainment of age 55.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is set forth below.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of plan assets available for benefits and the actuarial present value of accumulated plan benefits as of the date of the financial statements. Actual results could differ from those estimates. The Plan uses an actuary to determine the actuarial present value of accumulated plan benefits. A change in the actuarial assumptions used could significantly change the amount of the actuarial present value of accumulated plan benefits reported in the accompanying financial statements.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. See Note 6 for further discussion of fair value measurements.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Risks and Uncertainties

Plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Other

Administrative expenses and audit fees of the Plan are paid by the Company. Investment management fees are paid by the Plan.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of net assets available for benefits date but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through October 5, 2012 noting no items requiring disclosure.

3. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to service rendered by employees as of the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. The actuarial present value of accumulated plan benefits is determined by an independent actuary, Milliman, Inc. (Milliman), and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in these valuations are (a) life expectancy of participants (the RP-2000 Mortality Table with generational mortality improvements was used), (b) 5% annual increase in current salary levels, (c) retirement age assumptions (the assumed retirement age was 65) and (d) investment return. The December 31, 2011 and 2010 valuations included assumed long-term rates of return of 7.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

At December 31, 2011 and 2010, actuarial present value of accumulated plan benefits for the Plan are as follows:

	<u>2011</u>	<u>2010</u>
Vested Benefits		
Participants Currently Receiving Benefits	\$ 2,383,776	\$ 1,753,443
Other Participants	7,052,740	6,806,630
Nonvested Benefits	-	114,384
Total Actuarial Present Value of Accumulated Plan Benefits	<u>\$ 9,436,516</u>	<u>\$ 8,674,457</u>

The changes in accumulated plan benefits of the Plan for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Actuarial Present Value of Accumulated Benefits at Beginning of Year	<u>\$ 8,674,457</u>	<u>\$ 7,749,443</u>
Increase (Decrease) During the Year Attributable to:		
Increase Due to the Passage of Time	407,432	535,518
Benefits Accumulated	597,455	591,291
Benefits Paid Directly to Participants	(242,828)	(201,795)
Net Increase	<u>762,059</u>	<u>925,014</u>
Actuarial Present Value of Accumulated Benefits at End of Year	<u>\$ 9,436,516</u>	<u>\$ 8,674,457</u>

4. Funding Policy

Contributions to provide benefits under the Plan are made solely by the Company. The Company's contributions to the Plan totaled \$900,000 for 2011 and 2010. The Company's funding policy is to make cash contributions to the Plan in amounts as determined by the Board of Directors with the direction of the Retirement Committee and Milliman. There were minimum required contributions of \$175,728 based on the January 1, 2012 actuarial valuation report of which \$450,000 has been funded subsequent to December 31, 2011.

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue their contributions at any time and to terminate the Plan subject to the provisions set forth by ERISA.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

5. Investments

The following presents investments at December 31, 2011 and 2010 that represent 5% or more of the Plan's net assets:

	<u>2011</u>	<u>2010</u>
Charles Schwab Value Advantage Money Fund Select, 2,515,641 and 3,114,521 Shares, Respectively	\$ 2,515,641	\$ 3,114,521
Charles Schwab Advisor Cash Premier Fund, 618,928 and 666,831 Shares, Respectively	618,928	666,831
Other Investments Less than 5% of Net Assets	8,988,183	7,530,013
	<u>\$ 12,122,752</u>	<u>\$ 11,311,365</u>

During 2011 and 2010, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by \$(9,410) and \$561,478, respectively, as follows:

	<u>2011</u>	<u>2010</u>
Government and Municipal Bonds	\$ 12,512	\$ 22,909
Corporate Bonds	(25,218)	903
Common Stocks	(21)	522,330
Mutual Fund	3,317	15,336
	<u>\$ (9,410)</u>	<u>\$ 561,478</u>

6. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
-

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

Common Stocks, Mutual Fund, Corporate Bonds and Government and Municipal Bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Money Market Funds: Valued at the net asset value of the underlying investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

The following table presents by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2011.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks:				
Health Care	\$ 1,882,272	\$ -	\$ -	\$ 1,882,272
Technology	1,377,031	-	-	1,377,031
Industrial Goods	1,231,893	-	-	1,231,893
Services	1,111,614	-	-	1,111,614
Basic Materials	1,072,157	-	-	1,072,157
Consumer Goods	821,450	-	-	821,450
Financial	546,109	-	-	546,109
Conglomerate	268,650	-	-	268,650
Total Common Stocks	8,311,176	-	-	8,311,176
Government and Municipal Bonds	464,061	-	-	464,061
"A" Rated Corporate Bonds	212,946	-	-	212,946
Money Market Funds	3,134,569	-	-	3,134,569
Total Investments at Fair Value	\$ 12,122,752	\$ -	\$ -	\$ 12,122,752

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

The following table presents by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks:				
Health Care	\$ 1,679,402	\$ -	\$ -	\$ 1,679,402
Industrial Goods	1,221,471	-	-	1,221,471
Technology	993,796	-	-	993,796
Consumer Goods	872,175	-	-	872,175
Basic Materials	786,320	-	-	786,320
Services	683,302	-	-	683,302
Financial	333,249	-	-	333,249
Conglomerate	137,175	-	-	137,175
Total Common Stocks	6,706,890	-	-	6,706,890
Government and Municipal Bonds	455,241	-	-	455,241
"A" Rated Corporate Bonds	231,154	-	-	231,154
Blend Mutual Fund	136,728	-	-	136,728
Money Market Funds	3,781,352	-	-	3,781,352
Total Investments at Fair Value	\$ 11,311,365	\$ -	\$ -	\$ 11,311,365

7. Tax Status

The Plan is qualified as a defined benefit pension plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code.

The plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable taxing authority. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

8. Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations.

Generally, the Pension Benefit Guaranty Corporation (PBGC) guarantees most vested normal retirement age benefits, early retirement benefits and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Company and the level of benefits guaranteed by the PBGC.

9. Related Party Transaction

Certain Plan investments are shares of funds and accounts managed by Charles Schwab and Company, Inc. (Charles Schwab). Charles Schwab is the custodian of the Plan, and therefore, these transactions qualify as party-in-interest transactions.

SUPPLEMENTAL INFORMATION

Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Assets (Held at End of Year) – Schedule H – Item 4i

Year Ended December 31, 2011

Employer Identification Number 47-0591908
Plan Number 001

	<u>Description of Investment</u>	<u>Shares</u>	<u>Cost</u>	<u>Current Value</u>
Amgen, Inc.	Common Stock	5,400	\$ 282,826	\$ 346,734
Avon Products	Common Stock	10,650	288,743	186,056
Becton Dickinson & Company	Common Stock	3,925	269,443	293,276
Boeing Co.	Common Stock	5,600	329,997	410,760
BP PLC	Common Stock	7,950	326,213	339,783
Bristol-Meyers Squibb Company	Common Stock	11,000	257,587	387,640
Caterpillar, Inc.	Common Stock	5,500	151,607	498,300
Cisco Systems, Inc.	Common Stock	17,225	312,488	311,428
CVS Caremark Corporation	Common Stock	8,200	201,764	334,396
Devon Energy Corporation	Common Stock	3,750	249,852	232,500
E.I. du Pont de Nemours & Company	Common Stock	6,275	336,540	287,269
General Electric Company	Common Stock	15,000	375,356	268,650
Honda Motor Co., Ltd.	Common Stock	9,000	291,070	274,950
Intel Corporation	Common Stock	14,075	297,400	341,319
Johnson & Johnson	Common Stock	4,350	237,505	285,273
Kimberly-Clark Corporation	Common Stock	4,900	276,899	360,444
McDonald's Corporation	Common Stock	3,800	253,997	381,254
Microsoft Corporation	Common Stock	10,900	243,459	282,964
Pfizer Inc.	Common Stock	13,350	287,640	288,894
The Bank of New York Mellon Corp	Common Stock	10,650	289,173	212,041
Tsakos Energy Navigation Ltd.	Common Stock	7,200	148,257	34,416
U.S. Bancorp	Common Stock	12,350	298,268	334,068
Valero Energy Corporation	Common Stock	10,100	359,587	212,605
Verizon Communications	Common Stock	11,000	325,642	441,320
Wal-Mart Stores, Inc.	Common Stock	6,050	295,625	361,548
Zimmer Holdings, Inc.	Common Stock	5,250	336,368	280,455
3M Company	Common Stock	3,950	252,711	322,833
Total Common Stocks			7,576,017	8,311,176
Brownsville Texas Utility 4.964%	Municipal Bond	100,000	100,278	108,915
Gainesville Florida Utility System Revenue 4.190%	Municipal Bond	5,000	5,021	5,265
Indiana Bank Bond 5.30%	Municipal Bond	100,000	100,146	102,357
San Luis Obispo County California 4.20%	Municipal Bond	125,000	115,939	128,511
Tennessee Valley 0.00%	Government Bond	125,000	73,740	119,013
Total Government and Municipal Bonds			395,124	464,061

Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Assets (Held at End of Year) – Schedule H – Item 4i

Year Ended December 31, 2011

	<u>Description of Investment</u>	<u>Shares</u>	<u>Cost</u>	<u>Current Value</u>
Bank of America 5.49%	Corporate Bond	100,000	\$ 96,005	\$ 86,467
Goldman Sachs 4.75%	Corporate Bond	125,000	119,945	126,479
Total Corporate Bonds			<u>215,950</u>	<u>212,946</u>
* Charles Schwab Advisor Cash Premier Fund	Money Market Fund	618,928	618,928	618,928
* Charles Schwab Value Advantage Money Fund Select	Money Market Fund	2,515,641	2,515,641	2,515,641
Total Money Market Funds			<u>3,134,569</u>	<u>3,134,569</u>
Total Investment Assets			\$ 11,321,660	\$12,122,752

*Indicates party-in-interest

Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Reportable Transactions – Schedule H – Item 4j

Year Ended December 31, 2011

Employer Identification Number 47-0591908
Plan Number 001

	<u>Purchase Price</u>	<u>Selling Price</u>	<u>Cost of Asset</u>	<u>Current Value of Asset on Transaction Date</u>	<u>Net Gain or (Loss)</u>	<u>Number of Transactions</u>
* Charles Schwab Advisor Cash Premier Fund	\$ 1,593,561	\$ -	\$ 1,593,561	\$ 1,593,561	\$ -	85
* Charles Schwab Advisor Cash Premier Fund	-	1,641,467	1,641,467	1,641,467	-	19

*Indicates party-in-interest



**Central States Indemnity Co. of Omaha
Employees' Pension Plan**

Financial Statements and Independent Auditors' Report

December 31, 2011 and 2010



Central States Indemnity Co. of Omaha Employees' Pension Plan

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Note: Schedules required by the Employee Retirement Income Security Act of 1974 that have not been included herein are not applicable.

INDEPENDENT AUDITORS' REPORT

Retirement Committee
Central States Indemnity Co. of Omaha Employees' Pension Plan
Omaha, Nebraska

We have audited the accompanying statements of net assets available for benefits of the Central States Indemnity Co. of Omaha Employees' Pension Plan as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Central States Indemnity Co. of Omaha Employees' Pension Plan as of December 31, 2011 and 2010, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz & Company, P.C.

October 5, 2012

Central States Indemnity Co. of Omaha Employees' Pension Plan

Statements of Net Assets Available for Benefits

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Investments at Fair Value (Notes 5 and 6)		
Common Stocks	\$ 8,311,176	\$ 6,706,890
Government and Municipal Bonds	464,061	455,241
Corporate Bonds	212,946	231,154
Mutual Fund	-	136,728
Money Market Funds	3,134,569	3,781,352
Total Investments	12,122,752	11,311,365
Accrued Investment Income Receivable	16,235	15,825
Cash	7,961	8,319
NET ASSETS AVAILABLE FOR BENEFITS	\$ 12,146,948	\$ 11,335,509

Central States Indemnity Co. of Omaha Employees' Pension Plan

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment Income		
Net Appreciation in Fair Value of Investments (Notes 5 and 6)	\$ -	\$ 561,478
Interest from Investments	16,978	36,957
Dividends from Investments	221,649	135,412
Total Investment Income	238,627	733,847
Employer Contributions (Note 4)	900,000	900,000
Total Additions	1,138,627	1,633,847
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Net Depreciation in Fair Value of Investments (Notes 5 and 6)	9,410	-
Benefits Paid Directly to Participants	242,828	201,795
Administrative Expenses and Other Fees	74,950	67,380
Total Deductions	327,188	269,175
NET INCREASE	811,439	1,364,672
Net Assets Available for Benefits, Beginning of Year	11,335,509	9,970,837
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	\$ 12,146,948	\$ 11,335,509

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

1. Plan Description

The following brief description of the Central States Indemnity Co. of Omaha Employees' Pension Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined benefit pension plan covering certain employees of Central States Indemnity Co. of Omaha (the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective June 1, 2006, the Plan was amended to close participation in the Plan to employees who are first employed by the Company after May 31, 2006. Employees hired prior to June 1, 2006 were included in the Plan on the first day of the month after satisfying the eligibility requirements of attaining age 19 and completing one year of employment with 1,000 hours of service.

Pension Benefits

Eligible employees are entitled to pension benefits at the normal retirement of age 65 equal to 1.5% of final average compensation times years of credited service less .62% of the final average compensation, up to covered compensation, times years of credited service. Final average compensation is the average of base salary over the five consecutive years prior to the employees' normal retirement date or for the period of employment, if shorter, which would produce the highest average. Covered compensation is the average of the taxable wage bases for 35 years ending with a participant's social security retirement age. Credited service is limited to 25 years. The Plan also provides for pre-retirement death benefits, late retirement benefits and early retirement benefits. Early retirement benefits commence at age 55, with a reduction in the normal retirement benefit. Participants may elect to receive their pension benefits in the form of a life annuity or a joint and survivor annuity with three available options. If the participant terminates employment before the normal retirement age or the early retirement age, the Company may require the participant to accept a lump-sum payment of their vested benefits for any amounts below \$5,000. The Plan requires that lump-sum payments between \$1,000 and \$5,000 be directly rolled over to an individual retirement account designated by the plan administrator in the event the participant does not elect otherwise. Lump-sum payments under \$1,000 will be paid out to the participant in the event the participant does not elect one of two options. Benefits are recorded when paid.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

Death and Disability Benefits

If a married, vested participant dies prior to being eligible for early retirement, the participant's surviving spouse will be eligible to receive a monthly benefit beginning on the participant's early retirement date. The monthly benefit is equal to 50% of the vested accrued benefit reduced for early retirement and to reflect payment in the form of a joint and 50% survivor annuity. If a married participant, who is eligible for early retirement dies, the participant's spouse is entitled to an immediate monthly benefit. The benefit is equal to the monthly annuity the spouse would have received if the participant had retired the day before the participant's death and had elected the "joint and 50% survivor" option. Active employees who become totally disabled will remain active Plan participants. If the employee remains disabled until the normal retirement date, the employee will receive retirement benefits computed as though they had been employed to normal retirement age with their annual compensation remaining the same as the last complete year of employment prior to disability. Benefit payments are recorded when paid.

Vesting

Participants become 100% vested in their benefits after five years of service or attainment of age 55.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is set forth below.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of plan assets available for benefits and the actuarial present value of accumulated plan benefits as of the date of the financial statements. Actual results could differ from those estimates. The Plan uses an actuary to determine the actuarial present value of accumulated plan benefits. A change in the actuarial assumptions used could significantly change the amount of the actuarial present value of accumulated plan benefits reported in the accompanying financial statements.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. See Note 6 for further discussion of fair value measurements.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Risks and Uncertainties

Plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Other

Administrative expenses and audit fees of the Plan are paid by the Company. Investment management fees are paid by the Plan.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of net assets available for benefits date but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through October 5, 2012 noting no items requiring disclosure.

3. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to service rendered by employees as of the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. The actuarial present value of accumulated plan benefits is determined by an independent actuary, Milliman, Inc. (Milliman), and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in these valuations are (a) life expectancy of participants (the RP-2000 Mortality Table with generational mortality improvements was used), (b) 5% annual increase in current salary levels, (c) retirement age assumptions (the assumed retirement age was 65) and (d) investment return. The December 31, 2011 and 2010 valuations included assumed long-term rates of return of 7.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

At December 31, 2011 and 2010, actuarial present value of accumulated plan benefits for the Plan are as follows:

	<u>2011</u>	<u>2010</u>
Vested Benefits		
Participants Currently Receiving Benefits	\$ 2,383,776	\$ 1,753,443
Other Participants	7,052,740	6,806,630
Nonvested Benefits	-	114,384
Total Actuarial Present Value of Accumulated Plan Benefits	<u>\$ 9,436,516</u>	<u>\$ 8,674,457</u>

The changes in accumulated plan benefits of the Plan for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Actuarial Present Value of Accumulated Benefits at Beginning of Year	<u>\$ 8,674,457</u>	<u>\$ 7,749,443</u>
Increase (Decrease) During the Year Attributable to:		
Increase Due to the Passage of Time	407,432	535,518
Benefits Accumulated	597,455	591,291
Benefits Paid Directly to Participants	(242,828)	(201,795)
Net Increase	<u>762,059</u>	<u>925,014</u>
Actuarial Present Value of Accumulated Benefits at End of Year	<u>\$ 9,436,516</u>	<u>\$ 8,674,457</u>

4. Funding Policy

Contributions to provide benefits under the Plan are made solely by the Company. The Company's contributions to the Plan totaled \$900,000 for 2011 and 2010. The Company's funding policy is to make cash contributions to the Plan in amounts as determined by the Board of Directors with the direction of the Retirement Committee and Milliman. There were minimum required contributions of \$175,728 based on the January 1, 2012 actuarial valuation report of which \$450,000 has been funded subsequent to December 31, 2011.

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue their contributions at any time and to terminate the Plan subject to the provisions set forth by ERISA.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

5. Investments

The following presents investments at December 31, 2011 and 2010 that represent 5% or more of the Plan's net assets:

	<u>2011</u>	<u>2010</u>
Charles Schwab Value Advantage Money Fund Select, 2,515,641 and 3,114,521 Shares, Respectively	\$ 2,515,641	\$ 3,114,521
Charles Schwab Advisor Cash Premier Fund, 618,928 and 666,831 Shares, Respectively	618,928	666,831
Other Investments Less than 5% of Net Assets	8,988,183	7,530,013
	<u>\$ 12,122,752</u>	<u>\$ 11,311,365</u>

During 2011 and 2010, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by \$(9,410) and \$561,478, respectively, as follows:

	<u>2011</u>	<u>2010</u>
Government and Municipal Bonds	\$ 12,512	\$ 22,909
Corporate Bonds	(25,218)	903
Common Stocks	(21)	522,330
Mutual Fund	3,317	15,336
	<u>\$ (9,410)</u>	<u>\$ 561,478</u>

6. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
-

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

Common Stocks, Mutual Fund, Corporate Bonds and Government and Municipal Bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Money Market Funds: Valued at the net asset value of the underlying investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

The following table presents by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2011.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks:				
Health Care	\$ 1,882,272	\$ -	\$ -	\$ 1,882,272
Technology	1,377,031	-	-	1,377,031
Industrial Goods	1,231,893	-	-	1,231,893
Services	1,111,614	-	-	1,111,614
Basic Materials	1,072,157	-	-	1,072,157
Consumer Goods	821,450	-	-	821,450
Financial	546,109	-	-	546,109
Conglomerate	268,650	-	-	268,650
Total Common Stocks	8,311,176	-	-	8,311,176
Government and Municipal Bonds	464,061	-	-	464,061
"A" Rated Corporate Bonds	212,946	-	-	212,946
Money Market Funds	3,134,569	-	-	3,134,569
Total Investments at Fair Value	\$ 12,122,752	\$ -	\$ -	\$ 12,122,752

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

The following table presents by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks:				
Health Care	\$ 1,679,402	\$ -	\$ -	\$ 1,679,402
Industrial Goods	1,221,471	-	-	1,221,471
Technology	993,796	-	-	993,796
Consumer Goods	872,175	-	-	872,175
Basic Materials	786,320	-	-	786,320
Services	683,302	-	-	683,302
Financial	333,249	-	-	333,249
Conglomerate	137,175	-	-	137,175
Total Common Stocks	6,706,890	-	-	6,706,890
Government and Municipal Bonds	455,241	-	-	455,241
"A" Rated Corporate Bonds	231,154	-	-	231,154
Blend Mutual Fund	136,728	-	-	136,728
Money Market Funds	3,781,352	-	-	3,781,352
Total Investments at Fair Value	\$ 11,311,365	\$ -	\$ -	\$ 11,311,365

7. Tax Status

The Plan is qualified as a defined benefit pension plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code.

The plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable taxing authority. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

Central States Indemnity Co. of Omaha Employees' Pension Plan

Notes to Financial Statements

December 31, 2011 and 2010

8. Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations.

Generally, the Pension Benefit Guaranty Corporation (PBGC) guarantees most vested normal retirement age benefits, early retirement benefits and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Company and the level of benefits guaranteed by the PBGC.

9. Related Party Transaction

Certain Plan investments are shares of funds and accounts managed by Charles Schwab and Company, Inc. (Charles Schwab). Charles Schwab is the custodian of the Plan, and therefore, these transactions qualify as party-in-interest transactions.

SUPPLEMENTAL INFORMATION

Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Assets (Held at End of Year) – Schedule H – Item 4i

Year Ended December 31, 2011

Employer Identification Number 47-0591908
Plan Number 001

	<u>Description of Investment</u>	<u>Shares</u>	<u>Cost</u>	<u>Current Value</u>
Amgen, Inc.	Common Stock	5,400	\$ 282,826	\$ 346,734
Avon Products	Common Stock	10,650	288,743	186,056
Becton Dickinson & Company	Common Stock	3,925	269,443	293,276
Boeing Co.	Common Stock	5,600	329,997	410,760
BP PLC	Common Stock	7,950	326,213	339,783
Bristol-Meyers Squibb Company	Common Stock	11,000	257,587	387,640
Caterpillar, Inc.	Common Stock	5,500	151,607	498,300
Cisco Systems, Inc.	Common Stock	17,225	312,488	311,428
CVS Caremark Corporation	Common Stock	8,200	201,764	334,396
Devon Energy Corporation	Common Stock	3,750	249,852	232,500
E.I. du Pont de Nemours & Company	Common Stock	6,275	336,540	287,269
General Electric Company	Common Stock	15,000	375,356	268,650
Honda Motor Co., Ltd.	Common Stock	9,000	291,070	274,950
Intel Corporation	Common Stock	14,075	297,400	341,319
Johnson & Johnson	Common Stock	4,350	237,505	285,273
Kimberly-Clark Corporation	Common Stock	4,900	276,899	360,444
McDonald's Corporation	Common Stock	3,800	253,997	381,254
Microsoft Corporation	Common Stock	10,900	243,459	282,964
Pfizer Inc.	Common Stock	13,350	287,640	288,894
The Bank of New York Mellon Corp	Common Stock	10,650	289,173	212,041
Tsakos Energy Navigation Ltd.	Common Stock	7,200	148,257	34,416
U.S. Bancorp	Common Stock	12,350	298,268	334,068
Valero Energy Corporation	Common Stock	10,100	359,587	212,605
Verizon Communications	Common Stock	11,000	325,642	441,320
Wal-Mart Stores, Inc.	Common Stock	6,050	295,625	361,548
Zimmer Holdings, Inc.	Common Stock	5,250	336,368	280,455
3M Company	Common Stock	3,950	252,711	322,833
Total Common Stocks			7,576,017	8,311,176
Brownsville Texas Utility 4.964%	Municipal Bond	100,000	100,278	108,915
Gainesville Florida Utility System Revenue 4.190%	Municipal Bond	5,000	5,021	5,265
Indiana Bank Bond 5.30%	Municipal Bond	100,000	100,146	102,357
San Luis Obispo County California 4.20%	Municipal Bond	125,000	115,939	128,511
Tennessee Valley 0.00%	Government Bond	125,000	73,740	119,013
Total Government and Municipal Bonds			395,124	464,061

Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Assets (Held at End of Year) – Schedule H – Item 4i

Year Ended December 31, 2011

	<u>Description of Investment</u>	<u>Shares</u>	<u>Cost</u>	<u>Current Value</u>
Bank of America 5.49%	Corporate Bond	100,000	\$ 96,005	\$ 86,467
Goldman Sachs 4.75%	Corporate Bond	125,000	119,945	126,479
Total Corporate Bonds			<u>215,950</u>	<u>212,946</u>
* Charles Schwab Advisor Cash Premier Fund	Money Market Fund	618,928	618,928	618,928
* Charles Schwab Value Advantage Money Fund Select	Money Market Fund	2,515,641	2,515,641	2,515,641
Total Money Market Funds			<u>3,134,569</u>	<u>3,134,569</u>
Total Investment Assets			\$ 11,321,660	\$12,122,752

*Indicates party-in-interest

Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Reportable Transactions – Schedule H – Item 4j

Year Ended December 31, 2011

Employer Identification Number 47-0591908
Plan Number 001

	<u>Purchase Price</u>	<u>Selling Price</u>	<u>Cost of Asset</u>	<u>Current Value of Asset on Transaction Date</u>	<u>Net Gain or (Loss)</u>	<u>Number of Transactions</u>
* Charles Schwab Advisor Cash Premier Fund	\$ 1,593,561	\$ -	\$ 1,593,561	\$ 1,593,561	\$ -	85
* Charles Schwab Advisor Cash Premier Fund	-	1,641,467	1,641,467	1,641,467	-	19

*Indicates party-in-interest



Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Assets (Held at End of Year) – Schedule H – Item 4i

Year Ended December 31, 2011

Employer Identification Number 47-0591908
Plan Number 001

	<u>Description of Investment</u>	<u>Shares</u>	<u>Cost</u>	<u>Current Value</u>
Amgen, Inc.	Common Stock	5,400	\$ 282,826	\$ 346,734
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3M Company	Common Stock	3,950	252,711	322,833
Total Common Stocks			7,576,017	8,311,176
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San Luis Obispo County California 4.20%	Municipal Bond	125,000	115,939	128,511
Tennessee Valley 0.00%	Government Bond	125,000	73,740	119,013
Total Government and Municipal Bonds			395,124	464,061

Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Assets (Held at End of Year) – Schedule H – Item 4i

Year Ended December 31, 2011

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Total Corporate Bonds			215,950	212,946
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* Charles Schwab Value Advantage Money Fund Select	Money Market Fund	2,515,641	2,515,641	2,515,641
Total Money Market Funds			3,134,569	3,134,569
Total Investment Assets			\$ 11,321,660	\$12,122,752

*Indicates party-in-interest

Central States Indemnity Co. of Omaha Employees' Pension Plan

Schedule of Reportable Transactions – Schedule H – Item 4j

Year Ended December 31, 2011

Employer Identification Number 47-0591908
Plan Number 001

	<u>Purchase Price</u>	<u>Selling Price</u>	<u>Cost of Asset</u>	<u>Current Value of Asset on Transaction Date</u>	<u>Net Gain or (Loss)</u>	<u>Number of Transactions</u>
* Charles Schwab Advisor Cash Premier Fund	\$ 1,593,561	\$ -	\$ 1,593,561	\$ 1,593,561	\$ -	85
* Charles Schwab Advisor Cash Premier Fund	-	1,641,467	1,641,467	1,641,467	-	19

*Indicates party-in-interest

Schedule SB, Line 22 - Calculation of Weighted Average Retirement Age
Plan Name: Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001

We assume retirement at age 65 or current age if older.

Attachment to Schedule SB, Part V, Summary of Actuarial Methods/Assumptions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001

The actuarial cost method is a particular technique used by the actuary for establishing the amount and incidence of annual actuarial costs. The actuarial cost method determines the portion of the ultimate cost of a pension plan that should be allocated to each year (known as the normal cost). The cost method is thus a budgeting tool that helps to ensure that the pension plan will be adequately and systematically funded.

The annual cost for a pension plan is determined using the unit credit cost method. The ultimate cost for a pension plan will be determined not by the cost method but by the benefits and expenses which become payable and the earnings which are obtained on the investments of the Plan. In addition, the choice of actuarial assumptions will affect the current level of contributions and pattern of future contributions.

Under the unit credit cost method, the target normal cost for each participant is equal to the present value of the projected benefit (salary increases may be included) one year from the valuation date minus the present value of accrued benefits as of the valuation date. The target normal cost for the Plan is the total of the individually computed target normal costs for all participants including the costs for any death or disability benefits under the Plan.

The target liability at any point in time for an active participant is the present value of the participant's accrued benefit. For persons receiving benefits or entitled to a deferred vested retirement income, the target liability is equal to the present value of their future benefit payments. The total target liability for the Plan is the total of the individually computed target liability amounts for all participants.

Certain assumptions are made in the calculation of the target liability, such as: interest rates, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

For actuarial valuation purposes, the plan assets are valued using the average asset value described in Revenue Notice 2009-22. The averaging period is three years and the expected return on assets is 7.0%.

Attachment to Schedule SB, Part V, Summary of Actuarial Methods/Assumptions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001

Interest rates

The valuation interest rates are the three segmented rates as of January 1, 2011.

<u>Segment One</u>	<u>Segment Two</u>	<u>Segment Three</u>
2.94%	5.82%	6.46%

The interest rate used to determine the present value of accumulated benefits for FAS 35 is 7.00%

Mortality rates - PPA Funding

Post-retirement: Annuitant tables as prescribed on the valuation date

Pre-retirement: Non-annuitant tables as prescribed on the valuation date

Mortality rates - FAS 35 and Accounting Expense

RP-2000 (generational) Mortality Table

Withdrawal Rates

A table of annual withdrawal rates illustrated below:

<u>Service</u>	<u>Male</u>	<u>Female</u>
1	20%	25%
2	20	25
3	20	25
4	6	25
5	6	15
6	6	15
7	6	15
8	0	15
9	0	15
10	0	15
11 - 19	0	5
20+	0	0

Retirement Age

Age 65 or attained age, if later.

**Attachment to Schedule SB, Part V, Summary of Actuarial
Methods/Assumptions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001**

Salary Increases

5.0% per annum, as illustrated by the table below:

<u>Age</u>	<u>Salary Increase Factor*</u>
25	6.096
30	4.777
35	3.743
40	2.932
45	2.298
50	1.800
55	1.411

* Ratio of projected average salary to present salary.

Future Social Security Wage Base Increases

5% per annum, compounded annually.

Future Administrative Expenses

Assumed to be paid by the employer outside of the plan fund.

**Attachment to Schedule SB, Part V, Summary of Plan Provisions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001**

Name of Plan: Central States Indemnity Company of Omaha Employees' Pension Plan.

Effective Date: January 1, 1995.

Plan Provisions

Employees Covered: All employees of the Employer hired before June 1, 2006.

Eligibility: Employees will become participants on the first of the month coincident with or next following age 19 and completion of at least 1,000 hours of employment in the 12 month period beginning on date of employment or any subsequent 12 month period beginning on an Anniversary Date.

Credited Service: A year of Service is accrued for each calendar year with 1,000 or more hours of employment. Credited service for periods prior to January 1, 1995 under the Central States Health & Life Co. of Omaha Employees Pension Plan shall be included as credited service under this plan.

Basic Compensation: W-2 pay excluding overtime, commission and bonuses.

Final Average Compensation: Average Base Compensation over the last five consecutive plan years preceding retirement or termination.

Retirement Dates

Normal Retirement: First of the month coincident with or next following 65th birthday and completion of five years of service.

Early Retirement: Attained age 55.

Late Retirement: Retirement subsequent to Normal Retirement Date.

**Attachment to Schedule SB, Part V, Summary of Plan Provisions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001**

Retirement Benefits

Normal Retirement:

a) 1.5% times years of Credited Service times Final Average Compensation less b) .62% times Years of Credited Service times Final Average Compensation up to Covered Compensation. Credited Service is limited to 25 years. For terminations after age 60, a minimum benefit is provided equal to \$5 times years of service, not in excess of 25 years.

Early Retirement:

The Normal Retirement Benefit computed using Years of Credited Service to Early Retirement Date, reduced by 1/15 per year for the first 5 years and 1/30 per year for the next 5 years that Early Retirement precedes Normal Retirement.

Late Retirement:

Normal retirement benefit as of late retirement date, or normal retirement benefit with actuarial increase, if greater.

Vesting

Requirement:

Age 55 with no service requirement or 5 years of service without regard to age.

Benefit:

The Normal Retirement computed using Credited Service to date of termination, then multiplied by the appropriate percentage from the following table:

<u>Service</u>	<u>Percent</u>
less than 5	0%
5 or more	100%

Pre-Retirement Spouse's Benefit

Requirement:

Five years of vesting service.

Benefit:

The amount that the Spouse would receive if the Participant had terminated employment on his date of death, and then retired at the later of his earliest retirement date or his date of death and had elected the Joint and 50% Contingent Survivor form of income.

Attachment to Schedule SB, Part V, Summary of Plan Provisions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001

Normal Form of Benefit

Life Annuity.

Attachment to Schedule SB, Line 26, Schedule of Active Participants
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001

Number of Participants by Age and Service Groups

Age	Years of Service										Total
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	
0-24	-	-	1	-	-	-	-	-	-	-	1
25-29	-	-	8	-	-	-	-	-	-	-	8
30-34	-	-	13	1	-	-	-	-	-	-	14
35-39	-	-	7	3	-	1	-	-	-	-	11
40-44	-	-	8	7	5	6	1	-	-	-	27
45-49	-	-	14	4	2	5	1	1	-	-	27
50-54	-	-	6	5	-	2	3	-	-	-	16
55-59	-	-	9	5	3	2	-	1	-	1	21
60-64	-	-	7	4	3	2	2	-	-	-	18
65-69	-	-	1	3	-	-	-	1	-	-	5
70&Up	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	74	32	13	18	7	3	-	1	148

Average Compensation by Age and Service Groups

Age	Years of Service										Average
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	
0-24	-	-	*	-	-	-	-	-	-	-	*
25-29	-	-	*	-	-	-	-	-	-	-	*
30-34	-	-	*	*	-	-	-	-	-	-	*
35-39	-	-	*	*	-	*	-	-	-	-	*
40-44	-	-	*	*	*	*	*	-	-	-	47,098
45-49	-	-	*	*	*	*	*	*	-	-	55,651
50-54	-	-	*	*	-	*	*	-	-	-	*
55-59	-	-	*	*	*	*	-	*	-	*	59,393
60-64	-	-	*	*	*	*	*	-	-	-	*
65-69	-	-	*	*	-	-	-	*	-	-	*
70&Up	-	-	-	-	-	-	-	-	-	-	-
Average	-	-47,986	54,092		*	*	*	*	-	*	53,367

* If there are fewer than 20 participants in a cell, the average compensation is not reported.

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

**Single-Employer Defined Benefit Plan
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

File as an attachment to Form 5500 or 5500-SF.

OMB No. 1210-0110

2011**This Form is Open to Public
Inspection**

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

Round off amounts to nearest dollar.

Caution: A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan

Central States Indemnity Co. of Omaha Employees Pension Plan

B Three-digit
plan number (PN)

001

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF

Central States Indemnity Co. of Omaha

D Employer Identification Number (EIN)

47-0591908

E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B**F** Prior year plan size: ☐ 100 or fewer ☒ 101-500 ☐ More than 500**Part I Basic Information****1** Enter the valuation date: Month 1 Day 1 Year 2011**2** Assets:

a Market value	2a	11,314,124
b Actuarial value	2b	11,215,838

3 Funding target/participant count breakdown:

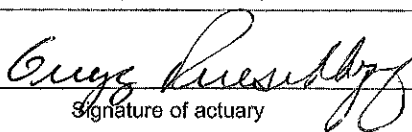
		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment.....	3a	39	1,940,685
b For terminated vested participants.....	3b	107	2,481,197
c For active participants:			
(1) Non-vested benefits.....	3c(1)		0
(2) Vested benefits.....	3c(2)		5,351,271
(3) Total active.....	3c(3)	148	5,351,271
d Total.....	3d	294	9,773,153

4 If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐

a Funding target disregarding prescribed at-risk assumptions	4a	
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b	

5 Effective interest rate **5** 6.10 %**6** Target normal cost **6** 425,047**Statement by Enrolled Actuary**

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

**SIGN
HERE**

Signature of actuary

06/15/2012

Date

Gregg Rueschhoff, A.S.A.

Type or print name of actuary

11-04349

Most recent enrollment number

Milliman, Inc.

Firm name

(402) 393-9400

Telephone number (including area code)

1120 South 101st Street

Omaha

NE 68124-1088

Address of the firm

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2011
v.012611

Part II Beginning of year carryover and prefunding balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year).....	1,051,268	1,957,372
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8).....	1,051,268	1,957,372
10 Interest on line 9 using prior year's actual return of <u>6.44</u> %.....	67,702	126,055
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38 from prior year)		366,342
b Interest on (a) using prior year's effective rate of <u>6.66</u> % except as otherwise provided (see instructions).....		24,398
c Total available at beginning of current plan year to add to prefunding balance.....		390,740
d Portion of (c) to be added to prefunding balance.....		0
12 Other reductions in balances due to elections or deemed elections.....	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d - line 12).....	1,118,970	2,083,427

Part III Funding percentages

14 Funding target attainment percentage	14	81.99 %
15 Adjusted funding target attainment percentage	15	114.76 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	103.08 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.	17	%

Part IV Contributions and liquidity shortfalls**18** Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/15/2011	450,000				
10/26/2011	450,000				
Totals ☐			18(b)	900,000	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contributions from prior years.	19a	0
b Contributions made to avoid restrictions adjusted to valuation date.....	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c	871,235

20 Quarterly contributions and liquidity shortfalls:

- a** Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No
- b** If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No
- c** If 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:			
a Segment rates:	1st segment: 2.94 %	2nd segment: 5.82 %	3rd segment: 6.46 %
			☐ N/A, full yield curve used
b Applicable month (enter code)			21b 0
22 Weighted average retirement age			22 65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute			

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.		☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.		☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.		☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment		27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)		31a	425,047
b Excess assets, if applicable, but not greater than 31a		31b	0
32 Amortization installments:		Outstanding Balance	Installment
a Net shortfall amortization installment		0	0
b Waiver amortization installment		0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount		33	
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)		34	425,047
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	0	0	0
36 Additional cash requirement (line 34 minus line 35)		36	425,047
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)		37	871,235
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)		38a	446,188
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances		38b	0
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)		39	0
40 Unpaid minimum required contributions for all years		40	0

Part IX Pension funding relief under Pension Relief Act of 2010 (see instructions)

41 If a shortfall amortization base is being amortized pursuant to an alternative amortization schedule:			
a Schedule elected		☐ 2 plus 7 years ☐ 15 years	
b Eligible plan year(s) for which the election in line 41a was made		☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011	
42 Amount of acceleration adjustment		42	
43 Excess installment acceleration amount to be carried over to future plan years		43	

Schedule SB, Line 22 - Calculation of Weighted Average Retirement Age
Plan Name: Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001

We assume retirement at age 65 or current age if older.

Attachment to Schedule SB, Part V, Summary of Actuarial Methods/Assumptions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001

The actuarial cost method is a particular technique used by the actuary for establishing the amount and incidence of annual actuarial costs. The actuarial cost method determines the portion of the ultimate cost of a pension plan that should be allocated to each year (known as the normal cost). The cost method is thus a budgeting tool that helps to ensure that the pension plan will be adequately and systematically funded.

The annual cost for a pension plan is determined using the unit credit cost method. The ultimate cost for a pension plan will be determined not by the cost method but by the benefits and expenses which become payable and the earnings which are obtained on the investments of the Plan. In addition, the choice of actuarial assumptions will affect the current level of contributions and pattern of future contributions.

Under the unit credit cost method, the target normal cost for each participant is equal to the present value of the projected benefit (salary increases may be included) one year from the valuation date minus the present value of accrued benefits as of the valuation date. The target normal cost for the Plan is the total of the individually computed target normal costs for all participants including the costs for any death or disability benefits under the Plan.

The target liability at any point in time for an active participant is the present value of the participant's accrued benefit. For persons receiving benefits or entitled to a deferred vested retirement income, the target liability is equal to the present value of their future benefit payments. The total target liability for the Plan is the total of the individually computed target liability amounts for all participants.

Certain assumptions are made in the calculation of the target liability, such as: interest rates, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

For actuarial valuation purposes, the plan assets are valued using the average asset value described in Revenue Notice 2009-22. The averaging period is three years and the expected return on assets is 7.0%.

**Attachment to Schedule SB, Part V, Summary of Actuarial Methods/Assumptions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001**

Interest rates

The valuation interest rates are the three segmented rates as of January 1, 2011.

<u>Segment One</u>	<u>Segment Two</u>	<u>Segment Three</u>
2.94%	5.82%	6.46%

The interest rate used to determine the present value of accumulated benefits for FAS 35 is 7.00%

Mortality rates - PPA Funding

Post-retirement: Annuitant tables as prescribed on the valuation date

Pre-retirement: Non-annuitant tables as prescribed on the valuation date

Mortality rates - FAS 35 and Accounting Expense

RP-2000 (generational) Mortality Table

Withdrawal Rates

A table of annual withdrawal rates illustrated below:

<u>Service</u>	<u>Male</u>	<u>Female</u>
1	20%	25%
2	20	25
3	20	25
4	6	25
5	6	15
6	6	15
7	6	15
8	0	15
9	0	15
10	0	15
11 - 19	0	5
20+	0	0

Retirement Age

Age 65 or attained age, if later.

**Attachment to Schedule SB, Part V, Summary of Actuarial
Methods/Assumptions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001**

Salary Increases

5.0% per annum, as illustrated by the table below:

<u>Age</u>	<u>Salary Increase Factor*</u>
25	6.096
30	4.777
35	3.743
40	2.932
45	2.298
50	1.800
55	1.411

* Ratio of projected average salary to present salary.

Future Social Security Wage Base Increases

5% per annum, compounded annually.

Future Administrative Expenses

Assumed to be paid by the employer outside of the plan fund.

**Attachment to Schedule SB, Part V, Summary of Plan Provisions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001**

Name of Plan: Central States Indemnity Company of Omaha Employees' Pension Plan.

Effective Date: January 1, 1995.

Plan Provisions

Employees Covered: All employees of the Employer hired before June 1, 2006.

Eligibility: Employees will become participants on the first of the month coincident with or next following age 19 and completion of at least 1,000 hours of employment in the 12 month period beginning on date of employment or any subsequent 12 month period beginning on an Anniversary Date.

Credited Service: A year of Service is accrued for each calendar year with 1,000 or more hours of employment. Credited service for periods prior to January 1, 1995 under the Central States Health & Life Co. of Omaha Employees Pension Plan shall be included as credited service under this plan.

Basic Compensation: W-2 pay excluding overtime, commission and bonuses.

Final Average Compensation: Average Base Compensation over the last five consecutive plan years preceding retirement or termination.

Retirement Dates

Normal Retirement: First of the month coincident with or next following 65th birthday and completion of five years of service.

Early Retirement: Attained age 55.

Late Retirement: Retirement subsequent to Normal Retirement Date.

**Attachment to Schedule SB, Part V, Summary of Plan Provisions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001**

Retirement Benefits

Normal Retirement: a) 1.5% times years of Credited Service times Final Average Compensation less b) .62% times Years of Credited Service times Final Average Compensation up to Covered Compensation. Credited Service is limited to 25 years. For terminations after age 60, a minimum benefit is provided equal to \$5 times years of service, not in excess of 25 years.

Early Retirement: The Normal Retirement Benefit computed using Years of Credited Service to Early Retirement Date, reduced by 1/15 per year for the first 5 years and 1/30 per year for the next 5 years that Early Retirement precedes Normal Retirement.

Late Retirement: Normal retirement benefit as of late retirement date, or normal retirement benefit with actuarial increase, if greater.

Vesting

Requirement: Age 55 with no service requirement or 5 years of service without regard to age.

Benefit: The Normal Retirement computed using Credited Service to date of termination, then multiplied by the appropriate percentage from the following table:

<u>Service</u>	<u>Percent</u>
less than 5	0%
5 or more	100%

Pre-Retirement Spouse's Benefit

Requirement: Five years of vesting service.

Benefit: The amount that the Spouse would receive if the Participant had terminated employment on his date of death, and then retired at the later of his earliest retirement date or his date of death and had elected the Joint and 50% Contingent Survivor form of income.

**Attachment to Schedule SB, Part V, Summary of Plan Provisions
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001**

Normal Form of Benefit

Life Annuity.

Attachment to Schedule SB, Line 26, Schedule of Active Participants
Central States Indemnity Co. of Omaha Employees Pension Plan
EIN/PN: 47-0591908/001

Number of Participants by Age and Service Groups

Age	Years of Service										Total
	<u><1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40&Up</u>	
0-24	-	-	1	-	-	-	-	-	-	-	1
25-29	-	-	8	-	-	-	-	-	-	-	8
30-34	-	-	13	1	-	-	-	-	-	-	14
35-39	-	-	7	3	-	1	-	-	-	-	11
40-44	-	-	8	7	5	6	1	-	-	-	27
45-49	-	-	14	4	2	5	1	1	-	-	27
50-54	-	-	6	5	-	2	3	-	-	-	16
55-59	-	-	9	5	3	2	-	1	-	1	21
60-64	-	-	7	4	3	2	2	-	-	-	18
65-69	-	-	1	3	-	-	-	1	-	-	5
70&Up	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	74	32	13	18	7	3	-	1	148

Average Compensation by Age and Service Groups

Age	Years of Service										Average
	<u><1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40&Up</u>	
0-24	-	-	*	-	-	-	-	-	-	-	*
25-29	-	-	*	-	-	-	-	-	-	-	*
30-34	-	-	*	*	-	-	-	-	-	-	*
35-39	-	-	*	*	-	*	-	-	-	-	*
40-44	-	-	*	*	*	*	*	-	-	-	47,098
45-49	-	-	*	*	*	*	*	*	-	-	55,651
50-54	-	-	*	*	-	*	*	-	-	-	*
55-59	-	-	*	*	*	*	-	*	-	*	59,393
60-64	-	-	*	*	*	*	*	-	-	-	*
65-69	-	-	*	*	-	-	-	*	-	-	*
70&Up	-	-	-	-	-	-	-	-	-	-	-
Average	-	-47,986	54,092		*	*	*	*	-	*	53,367

* If there are fewer than 20 participants in a cell, the average compensation is not reported.