

JUN 10 2020

FILED

CERTIFICATION

June 10, 2020

I, Bruce R. Ramage, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

MEDICARE ADVANTAGE INSURANCE COMPANY OF OMAHA

AS OF

DECEMBER 31, 2018

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



Bruce R. Ramage

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

Medicare Advantage Insurance Company of Omaha

Mutual of Omaha Plaza

Omaha, NEBRASKA 68175

dated as of December 31, 2020, verified under oath by the examiner-in-charge on April 10, 2020 and received by the company on May 14, 2020, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 29th day of May 2020.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', is written over a horizontal line.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

MEDICARE ADVANTAGE INSURANCE COMPANY OF OMAHA

as of

December 31, 2018



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Omaha, Nebraska
April 3, 2020

Honorable Bruce R. Range
Director of Insurance
Nebraska Department of Insurance
1135 M Street, Suite 300
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

MEDICARE ADVANTAGE INSURANCE COMPANY OF OMAHA
Mutual of Omaha Plaza
Omaha, Nebraska 68175

(hereinafter also referred to as the “Company”) and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of December 31, 2014 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2018, and includes such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska and New York participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company’s ultimate parent, Mutual of Omaha Insurance Company (Mutual of Omaha), and subsidiaries, United of Omaha Life Insurance Company (United), Omaha Reinsurance Company, United World Life Insurance Company, Companion Life Insurance Company, Omaha Insurance

Company, Omaha Health Insurance Company, and Mutual of Omaha Medicare Advantage Company.

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including, but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Nebraska Department of Insurance as the coordinating state and the New York State Department of Financial Services serving as the participating state. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies

are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

A general review was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company". All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report".

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination

process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Deloitte & Touche, LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2017 and 2018. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was originally named Omaha Life Insurance Company and was incorporated in the State of Nebraska in November 2006 as a wholly-owned subsidiary of United. The Certificate of Authority was amended from a life insurance company to a property and casualty insurance company on October 1, 2017. The Company's name was also changed to Property and Casualty Company of Omaha effective October 1, 2017. Effective October 17, 2018, the Company's name was changed to Medicare Advantage Insurance Company of Omaha.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the "Ultimate Controlling Person", as reported in

the 2018 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- Mutual of Omaha Insurance Company
 - East Campus Realty, LLC
 - Mutual of Omaha Holdings, Inc.
 - Mutual of Omaha Investor Services, Inc.
 - Mutual of Omaha Marketing Corporation
 - Omaha Insurance Company
 - Mutual of Omaha Medicare Advantage Company
 - Omaha Financial Holdings, Inc.
 - Mutual of Omaha Bank
 - OMAFIN, INC.
 - SB Capital Investment Fund, LLC (99.9%)
 - PHX SB Capital LLC (99.9%)
 - Synergy One Lending, Inc.
 - Mutual Community Development Company
 - Mutual of Omaha LoanPro, L.L.C.
- Omaha Health Insurance Company
- Turner Park North, LLC
- United of Omaha Life Insurance Company
 - Companion Life Insurance Company
 - Fulcrum Growth Partners III, L.L.C. (80%)
 - Medicare Advantage Insurance Company of Omaha
 - Mutual of Omaha Structured Settlement Company
 - Omaha Reinsurance Company
 - UM Holdings, LLC
 - United World Life Insurance Company

Shareholder

Article III of the Company's Articles of Incorporation states that, "the aggregate number of shares which the Corporation shall have authority to issue is two million (2,000,000) shares of common stock with a par value of each of said shares to be one dollar (\$1.00)." At December 31, 2018, the Company records indicated that 2,000,000 shares were issued and outstanding, all of which were owned by United.

Article I, Section 1 of the Company's By-Laws state that "the Shareholders shall meet annually on or before the 30th day of June in each and every calendar year, for the purpose of

receiving the report of its Officers and Directors, to elect Directors whose terms expire, and to transact such other business as may be lawful for it to do.”

Board of Directors

Article II, Section 3 of the By-Laws states that, “the Board of Directors shall have the general management and control of the business of the Corporation...” Per Section 1, “the Board of Directors shall consist of not less than five Directors nor more than nine. At least one of the Directors shall be a resident of Nebraska. The Board of Directors shall be elected at the annual meeting of the Shareholders by a majority vote of the stock represented in person or by proxy at the meeting for a term of one year each. The Director shall hold office until their successors are elected and qualified.” Article III, Section 2 states that, “the annual meeting of the Board of Directors shall be held immediately following the adjournment of the annual meeting of the Shareholders or as soon thereafter as practicable.”

The following persons were serving as Directors at December 31, 2018:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Stephen J. Abels Omaha, NE	Executive Vice President Mutual of Omaha Insurance Company
James T. Blackledge Elkhorn, NE	Chief Executive Officer Mutual of Omaha Insurance Company
Bradley N. Buechler Omaha, NE	Executive Vice President Mutual of Omaha Insurance Company
Laura A. Fender Omaha, NE	Senior Vice President and Assistant Treasurer Mutual of Omaha Insurance Company
Lance D. Grigsby Omaha, NE	Senior Vice President and Corporate Chief Actuary Mutual of Omaha Insurance Company

The Directors are not paid for their Board service.

Officers

Article IV, Section 1 of the Company's By-Laws states that, "the Board of Directors may elect such Officers as are necessary to conduct the business of the Corporation, including a President, Secretary, and Treasurer, and employ such other Officers and employees as may be required to carry on the business of the Corporation..."

The following is a listing of Senior Officers elected and serving the Company at December 31, 2018:

<u>Name</u>	<u>Office</u>
Bradley N. Buechler	President
Scott M. Priebe	Treasurer
Jay A. Vankat	Corporate Secretary

TRANSACTIONS WITH AFFILIATES

Intercompany Services Agreement

Effective May 12, 2016, the Company entered into an intercompany services agreement with Mutual of Omaha and its affiliates. Under the agreement, the Company will be provided certain services such as human resources, facilities, print/mail, payroll, finance/accounting, treasury/investments, internal audit, compliance, information technology, brand/public relations/corporate marketing, legal, corporate services, broker/dealer, and investment advisory services. Most of the expenses related to these resources were paid by Mutual of Omaha and subject to allocation among Mutual of Omaha and its subsidiaries.

Regular operating expenses of the companies are paid through the Accounts Payable and Expense Accounting Department of Mutual of Omaha. In general, these expenses are processed through an electronic allocation system maintained by the Budget and Expense Management Department. This system, through the use of department ID's, allocates operating expenses based

on cost drivers such as number of employees, square footage utilized, number of transactions processed, etc., to redistribute operating expenses to product lines within each of the companies receiving the services.

Statistical bases or theories used in allocation formulas are developed by the Finance Operation's staff and reviewed by the companies' external auditors during their annual audit.

Tax Allocation Agreement

A consolidated federal income tax return is filed for Mutual of Omaha and its eligible subsidiaries pursuant to a written agreement approved by the Board of Directors. Each company's provision for federal income tax expense is based on separate return calculations with credit for operating losses allowed by the parent company only as each company would utilize such losses on a separate return basis with limited exceptions.

Revolving Lines of Credit

The Company has a revolving credit agreement with Mutual of Omaha which allows Mutual of Omaha to borrow up to \$7 million from the Company. As of December 31, 2018, the Company did not have any outstanding borrowings under the agreement.

Parental Guarantee

Effective October 1, 2017, Mutual of Omaha provided a parental guarantee of the Company's performance of its obligations regarding the reinsurance agreement with Glencar Insurance Company.

Capital Contributions

The Company received capital contributions from its parent, United, over the examination period of \$1,000,000 in 2015 and \$8,000,000 in 2018.

The Company made returns of capital to its parent, United, over the course of the examination period of \$1,000,000 in 2015.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in Nebraska. The Company is planning to introduce a Medicare Advantage product that will be available to Medicare-eligible individuals in 2020. The Company only reported premium in 2017 from assumed business from Glencar Insurance Company (fka Omaha Indemnity Company). The Company also experienced a net loss in 2018 due to an increase in salaries to introduce a Medicare Advantage product in 2020.

REINSURANCE

Assumed

Effective October 1, 2017, the Company entered into a 100% quota share reinsurance agreement assuming existing business from Glencar Insurance Company, which was previously called The Omaha Indemnity Company and was a former affiliate. This transaction was completed to as part of the sale of The Omaha Indemnity Company to Hannover Finance, Inc. by ultimate parent, Mutual of Omaha. The assumed business consists of the run-off of assumed reinsurance contracts produced by Managing General Agents and a small number of direct written comprehensive general liability and umbrella policies.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$ 9,209,244	\$ 10,691,750	\$ 8,476,056	\$ 8,096,217
Admitted assets	10,846,132	10,991,463	12,741,594	14,854,096
Loss reserves	0	0	1,597,908	1,603,265
Total liabilities	44,297	46,831	1,697,309	2,849,037
Capital and surplus	10,801,835	10,944,632	11,044,285	12,005,059
Premiums earned	0	0	1,600,014	0
Net investment income	236,721	241,698	269,525	281,779
Losses incurred	0	0	1,607,088	19,325
Net income	136,800	146,216	70,352	(7,024,337)

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2018. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2018

Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 8,096,217		\$ 8,096,217
Cash and cash equivalents	<u>6,594,360</u>		<u>6,594,360</u>
Subtotal, cash and invested assets	\$14,690,577		\$14,690,577
Investment income due and accrued	40,248		40,248
Current federal and foreign income tax recoverable and interest thereon	<u>123,271</u>		<u>123,271</u>
Totals	<u>\$14,854,096</u>		<u>\$14,854,096</u>

Liabilities, Surplus, and Other Funds

Losses		\$ 1,603,265
Reinsurance payable on paid losses and loss adjustment expenses		328
Loss adjustment expenses		2,301
Payable to parent, subsidiaries and affiliates		<u>1,243,143</u>
Total liabilities		<u>\$ 2,849,037</u>
Common capital stock		\$ 2,000,000
Gross paid in and contributed surplus		16,126,000
Unassigned funds (surplus)		<u>(6,120,941)</u>
Total capital and surplus		<u>\$12,005,059</u>
Totals		<u>\$14,854,096</u>

STATEMENT OF INCOME – 2018

Underwriting Income

Premiums earned	\$ 0
Losses incurred	\$ 19,325
Loss adjustment expenses incurred	12,768
Other underwriting expenses incurred	<u>7,396,108</u>
Total underwriting deductions	<u>\$ 7,428,201</u>
Net underwriting gain	<u>(\$7,428,201)</u>

Investment Income

Net investment income earned	\$ 281,779
Net realized capital gain	<u>0</u>
Net investment gain	<u>\$ 281,779</u>

Other Income

Miscellaneous income	<u>\$ 1,693</u>
Total other income	<u>\$ 1,693</u>
Net income before federal income taxes	\$(7,144,729)
Federal income taxes incurred	<u>(120,392)</u>
Net income	<u>\$(7,024,337)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and surplus, beginning	<u>\$10,676,596</u>	<u>\$10,801,835</u>	<u>\$10,944,631</u>	<u>\$11,044,285</u>
Net income	\$ 136,800	\$ 146,216	\$ 70,352	(\$7,024,337)
Change in net deferred income tax	149	(61)	29,607	(30,183)
Change in nonadmitted assets	(8,793)	(793)	(5,708)	15,294
Change in asset valuation reserve	(2,917)	(2,566)		
Miscellaneous surplus adjustment			5,403	
Surplus adjustments: Paid in	<u> </u>	<u> </u>	<u> </u>	<u>8,000,000</u>
Net change for the year	<u>\$ 125,240</u>	<u>\$ 142,797</u>	<u>\$ 99,654</u>	<u>\$ 960,774</u>
Capital and surplus, ending	<u>\$10,801,835</u>	<u>\$10,944,632</u>	<u>\$11,044,285</u>	<u>\$12,005,059</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of (\$6,120,941), as reported in the Company's 2018 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Joel Tapsoba, CFE, Michael Sullivan, CFE, and Daniel Rousseau, Financial Examiners; Gary Evans, CFE, CISA, AES, Information Systems Specialist; and Rhonda Ahrens, FSA, and Derek Wallman, Actuarial Examiners; all with the Nebraska Department of Insurance; and Financial Examiners, Information System Specialists, and Actuarial Examiners with or contracted by the New York State Department of Financial Services; participated in this examination and the preparation of this report.

Respectfully submitted,



Eric Dercher, CFE
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the Department of Insurance
State of Nebraska



Andrea Johnson, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

State of Kansas,

County of Johnson,

Eric C. Dercher, CFE, being duly sworn, states as follows:

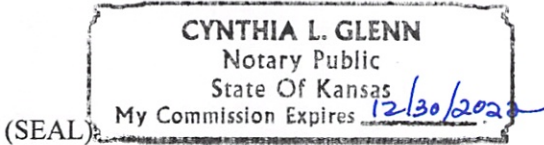
1. I have authority to represent the Department of Insurance State of Nebraska in the examinations of Mutual of Omaha Insurance Company, United of Omaha Life Insurance Company, Medicare Advantage Insurance Company of Omaha, Mutual of Omaha Medicare Advantage Company, Omaha Health Insurance Company, Omaha Insurance Company, Omaha Reinsurance Company, and United World Life Insurance Company.
2. The Department of Insurance State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination reports, and the examinations of Mutual of Omaha Insurance Company, United of Omaha Life Insurance Company, Medicare Advantage Insurance Company of Omaha, Mutual of Omaha Medicare Advantage Company, Omaha Health Insurance Company, Omaha Insurance Company, Omaha Reinsurance Company, and United World Life Insurance Company were performed in a manner consistent with the standards and procedures required by the Department of Insurance State of Nebraska.

The affiant says nothing further.

Eric C. Dercher

Examiner's Signature

Subscribed and sworn before me by Eric C. Dercher on this 10th day of April, 2020.



Cynthia L. Glenn
Notary Public

My commission expires 12/30/2022 [date].