

JUN 10 2020

FILED

CERTIFICATION

June 10, 2020

I, Bruce R. Range, 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

MUTUAL OF OMAHA MEDICARE ADVANTAGE COMPANY

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. Range
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

Mutual of Omaha Medicare Advantage Company

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

MUTUAL OF OMAHA MEDICARE ADVANTAGE COMPANY

as of

December 31, 2018



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Omaha, Nebraska
April 3, 2020

Honorable Bruce R. Ramage
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:

MUTUAL OF OMAHA MEDICARE ADVANTAGE COMPANY
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 October 31, 2017 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 parent, Mutual of Omaha Insurance Company (Mutual of Omaha), and subsidiaries, United of Omaha Life Insurance Company, Omaha Reinsurance Company, United World Life Insurance Company, Companion Life Insurance Company, Omaha Insurance Company, Omaha Health Insurance Company, and Medicare Advantage Insurance Company of Omaha.

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 incorporated in the State of Nebraska in 2017 as a wholly-owned subsidiary of Mutual of Omaha. It is licensed as a health maintenance organization and was formed to begin selling a Medicare Advantage product.

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 II of the Company’s Articles of Incorporation states that, “the aggregate number of shares which the Corporation shall be authorized to issue is One Million Five Hundred Thousand (1,500,000) shares of Common Stock, par value \$1.00 per share, with a total par value for all shares of \$1,500,000.” At December 31, 2018, Company records indicated that 1,500,000 shares were issued and outstanding, all owned by Mutual of Omaha.

Article II, Section 1 of the Company’s By-Laws states that “the annual meeting of the Shareholders shall be on the date and in the month in each year as determined by the Board, beginning with the year 2017, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting.”

Board of Directors

Article III, Section 2 of the Company’s By-Laws states that, “the number of Directors of the Corporation constituting the Board shall be not less than five and not more than fifteen.

Except as provided in Sections 3 and 4 of this Article III, Directors shall be elected at the annual meeting of the Shareholders...for a term of one year each. Directors need not be residents of the State of Nebraska or Shareholders of the Corporation.” Section 6 of Article III states, “a regular meeting of the Board shall be held without notice other than this By-Law immediately after, and at the same place as, the annual meeting of Shareholders.”

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

<u>Name and Residence</u>	<u>Principal Occupation</u>
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
Lance D. Grigsby Omaha, NE	Senior Vice President and Corporate Chief Actuary Mutual of Omaha Insurance Company
Richard R. Hrabchak Omaha, NE	Executive Vice President and Chief Investment Officer Mutual of Omaha Insurance Company
Amber L. Rinehart Omaha, NE	Senior Vice President Mutual of Omaha Insurance Company
Stacy A. Scholtz Omaha, NE	Executive Vice President Mutual of Omaha Insurance Company
Vibhu R. Sharma Omaha, NE	Executive Vice President, Chief Financial Officer and Treasurer 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 shall elect such Officers as are necessary to conduct the business of the Corporation, including a

President, Secretary, and Treasurer, and such other Officers and employees as may be required to carry on the business of the Corporation...”

The following is a partial 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
Amber L. Rinehart	Senior Vice President

TRANSACTIONS WITH AFFILIATES

Intercompany Services Agreement

Effective February 1, 2018, the Company entered into an agreement with Mutual of Omaha. Under the agreement, the parties will make available to each other the services of certain employees, specialists, professionals, skilled and experienced administrators, and specialized equipment. 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 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 line of credit with parent, Mutual of Omaha, which allows Mutual of Omaha to borrow up to \$10 million from the Company. As of December 31, 2018, the Company did not have any outstanding borrowings under the agreement.

Capital Contributions

The Company received capital contributions from its parent, Mutual of Omaha, over the examination period of \$3,500,000 in 2017 and \$66,000,000 in 2018.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in Indiana, Kentucky, Nebraska, Ohio, and Texas.

The Company introduced a Medicare Advantage product that became available to Medicare-eligible individuals in the fall of 2018 with 2019 effective dates. The Company is approved with the Centers for Medicare and Medicaid Services.

REINSURANCE

The Company did not utilize reinsurance during the examination period.

BODY OF REPORT

GROWTH

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

	<u>2017</u>	<u>2018</u>
Bonds	\$1,585,807	\$ 1,587,146
Admitted assets	5,008,346	53,158,859
Aggregate health policy reserves	0	16,227,017
Total liabilities	802,687	17,807,420
Capital and surplus	4,205,659	35,351,439
Net investment income	8,346	179,246
Net income	(794,341)	(34,848,142)

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	\$ 1,587,146		\$ 1,587,146
Cash and cash equivalents	<u>51,558,115</u>		<u>51,558,115</u>
Subtotal, cash and invested assets	\$53,145,261		\$ 53,145,261
Investment income due and accrued	13,598		13,598
Prepaid expenses	<u>6,078</u>	<u>\$6,078</u>	<u> </u>
Totals	<u>\$53,164,937</u>	<u>\$6,078</u>	<u>\$ 53,158,859</u>

Liabilities, Surplus, and Other Funds

Aggregate health policy reserves	\$ 16,227,017
Premiums received in advance	1,255
General expenses due or accrued	172,644
Amounts due to parent, subsidiaries and affiliates	1,406,377
Miscellaneous liabilities	<u>128</u>
Total liabilities	<u>\$ 17,807,420</u>
Common capital stock	\$ 1,500,000
Gross paid in and contributed surplus	69,500,000
Unassigned funds (surplus)	<u>(35,648,561)</u>
Total capital and surplus	<u>\$ 35,351,439</u>
Totals	<u>\$ 53,158,859</u>

SUMMARY OF REVENUE AND EXPENSES – 2018

General administrative expenses	\$ 18,800,371
Increase in reserve for life and accident and health contracts	<u>16,227,017</u>
Total underwriting deductions	<u>\$ 35,027,388</u>
Net underwriting gain	\$(35,027,388)
Net investment income earned	<u>179,246</u>
Net income	<u>\$(34,848,142)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2017</u>	<u>2018</u>
Capital and surplus, beginning	\$ <u>0</u>	\$ <u>4,205,659</u>
Net income	\$ (794,341)	\$(34,848,142)
Change in nonadmitted assets		(6,078)
Capital changes: Paid in	1,500,000	
Surplus adjustments: Paid in	<u>3,500,000</u>	<u>66,000,000</u>
Net change for the year	<u>\$4,205,659</u>	<u>\$ 31,145,780</u>
Capital and surplus, ending	<u>\$4,205,659</u>	<u>\$ 35,351,439</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of (\$35,648,561), 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:

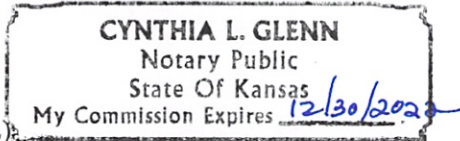
1. I have authority to represent the Department of Insurance State of Nebraska in the examinations of Mutual of Omaha Insurance Company, United of Omaha Life Insurance Company, Medicare Advantage Insurance Company of Omaha, Mutual of Omaha Medicare Advantage Company, Omaha Health Insurance Company, Omaha 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].