

JUN 03 2024

FILED

CERTIFICATION

June 3, 2024

I, Eric Dunning, 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

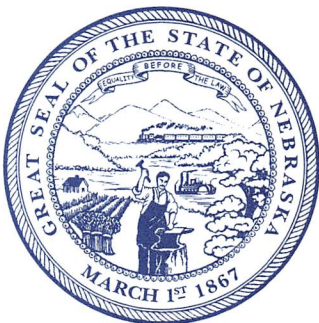
OMAHA HEALTH INSURANCE COMPANY

AS OF

DECEMBER 31, 2022

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.



A handwritten signature in blue ink, appearing to read "Eric Dunning", is written over a horizontal line.

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

OMAHA HEALTH INSURANCE COMPANY

3300 MUTUAL OF OMAHA PLAZA

OMAHA, NE 68175

dated as of December 31, 2022, verified under oath by the examiner-in-charge on April 15, 2024, and received by the company on May 30, 2024, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 31st day of May 2024.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford", written in a cursive style.

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

OMAHA HEALTH INSURANCE COMPANY

as of

December 31, 2022

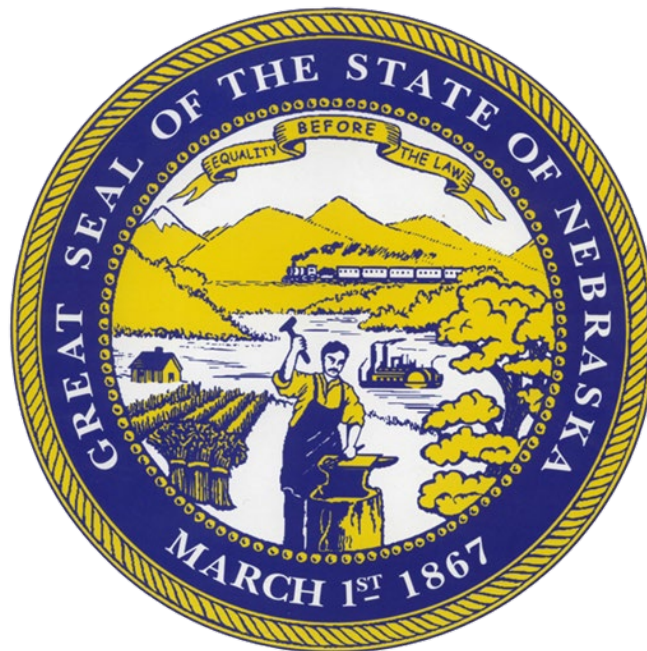


Table of Contents

<u>Item</u>	<u>Page</u>
Salutation	1
Introduction.....	1
Scope of Examination.....	2
Description of Company.....	4
History.....	4
Management and Control.....	5
Holding Company.....	5
Shareholder.....	6
Board of Directors.....	7
Officers.....	8
Transactions with Affiliates.....	8
Intercompany Services Agreement.....	8
Tax Allocation Agreement.....	9
Revolving Lines of Credit.....	9
Capital Contributions.....	9
Territory and Plan of Operation.....	9
Reinsurance.....	10
Body of Report.....	10
Growth.....	10
Financial Statements.....	10
Examination Changes in Financial Statements.....	12
Compliance with Previous Recommendations.....	13
Commentary on Current Examination Findings.....	13
Summary of Comments and Recommendations.....	13
Acknowledgment.....	14

Omaha, Nebraska
April 15, 2024

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
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:

**OMAHA HEALTH INSURANCE COMPANY
3300 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 State of Nebraska last examined the Company as of December 31, 2018. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2022 and 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) and affiliates, Companion Life Insurance Company, Medicare Advantage Insurance Company of Omaha, Mutual of Omaha Medicare Advantage Company, Omaha Insurance Company, Omaha Reinsurance Company,

Omaha Supplemental Insurance Company, United of Omaha Life Insurance Company, and United World Life Insurance Company.

SCOPE OF EXAMINATION

The 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 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.

The Nebraska Department of Insurance made a general review 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, 2022 and 2021. 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 incorporated in Missouri as ITT Lyndon Life Insurance Company, on February 21, 1978, as a stock life insurance company and commenced business on August 7, 1979. Until May 1995, the Company was wholly owned by ITT Financial Corporation, a wholly owned subsidiary of ITT Corporation. On May 1, 1995, ITT Financial Corporation merged with ITT Corporation. On October 20, 1995, ITT Financial Corporation contributed all the outstanding stock of the Company to ITT Lyndon Property Insurance Company.

On October 20, 1995, Mercury Finance Company acquired all the outstanding common stock of ITT Lyndon Property Insurance Company. On December 1, 1995, the name of the Company was changed to Lyndon Life Insurance Company. ITT Lyndon Property Insurance Company changed its name to Lyndon Property Insurance Company.

In June 1997, Frontier Insurance Group, Inc. purchased all the outstanding common stock of Lyndon Property Insurance Company. In 1998, Frontier Insurance Group, Inc. contributed all the outstanding stock of the Lyndon Property Insurance Company to a wholly owned subsidiary, Lyndon Insurance Group, Inc.

On January 20, 2000, Protective Life Insurance Company, a wholly owned subsidiary of Protective Life Corporation, purchased all the outstanding common stock of Lyndon Insurance Group, Inc.

On March 29, 2002, XL Life and Annuity Holding Company purchased all the outstanding common stock of Lyndon Life Insurance Company and the Company redomiciled to the State of Illinois. At the closing, the Company became a direct, wholly owned subsidiary of XL Life and Annuity Holding Company, which is a subsidiary of XL America, Inc., a Delaware corporation. On September 25, 2002, the Company changed its name to XL Life Insurance and Annuity Company.

The Company was purchased by Mutual of Omaha on September 30, 2016. On December 29, 2016, the Company's name was changed to Omaha Health Insurance Company and was redomiciled from Illinois to Nebraska on February 22, 2017.

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 2022 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 DMLT Holdings, LLC
 Mutual of Omaha Holdings, Inc.
 Mutual of Omaha Investor Services, Inc.
 Mutual of Omaha Marketing Corporation
 Mutual of Omaha Risk and Insurance Solution Services, Inc.
 Omaha Insurance Company
 Mutual of Omaha Medicare Advantage Company
 Omaha Financial Holdings, Inc.
 Mutual of Omaha LoanPro, L.L.C.
 Mutual of Omaha Mortgage, Inc.
 55 Places Mortgage, LLC (50%)
 Carson Lending Group, LLC
 Home Loan Express, LLC (50%)
 Legacy Mortgage, LLC (50%)
 Review Counsel LLC
 Omaha Health Insurance Company
 Omaha Supplemental Insurance Company
 Turner Park North, LLC
 United of Omaha Life Insurance Company
 Boston Financial Opportunity Zone Fund 1 LP (99.99%)
 Cloverlay Sports Assets SPV L.P.
 Arctos Phanatic Co-Invest, LP (32.2%)
 Companion Life Insurance Company
 Fulcrum Growth Partners III, L.L.C. (80%)
 Medicare Advantage Insurance Company of Omaha
 MGG Rated Debt Feeder Fund LP (50%)
 MGG SF Evergreen Unlevered Fund 2020 LP (53%)
 MGG SPV XI LLC (20.03%)
 MHEG OZ Fund 1, LP (99.99%)
 Mutual of Omaha Opportunities Fund, L.P. (99%)
 Mutual of Omaha OF Cayman, Ltd.
 Mutual of Omaha Structured Settlement Company
 Omaha Reinsurance Company
 UM Holdings, LLC
 United DMLT 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 ninety thousand (90,000) shares of common stock with a par value of each of said shares to be one hundred dollars (\$100) per

share.” As of December 31, 2022, Company records indicate that 50,000 shares are issued and outstanding.

Article I, Section 1 of the Company’s By-Laws states that, “the Stockholders of Omaha Health Insurance Company (the “Corporation”) 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 1 of the Company’s By-Laws states that, “the Board of Directors shall consist of not less than five nor more than fifteen Directors. Not less than one of the Directors shall be a resident of Nebraska. The Board of Directors shall be elected at the annual meeting of the Stockholders...for a term of one year each. The Directors shall hold office until their successors are elected and qualified.” Article III, Section 1 of the Company’s By-Laws states that, “the annual meeting of the Board of Directors shall be held immediately following the adjournment of the annual meeting of the Stockholders or as soon thereafter as practicable.”

The following persons were serving as Directors on December 31, 2022:

<u>Name and Residence</u>	<u>Principal Occupation</u>
James T. Blackledge Elkhorn, Nebraska	Chief Executive Officer, Mutual of Omaha Insurance Company
Bradley N. Buechler Omaha, Nebraska	Executive Vice President, Mutual of Omaha Insurance Company
Lance D. Grigsby Omaha, Nebraska	Senior Vice President and Corporate Chief Actuary, Mutual of Omaha Insurance Company
Richard R. Hrabchak Omaha, Nebraska	Chief Financial Officer and Chief Investment Officer, Mutual of Omaha Insurance Company

Name and Residence

Principal Occupation

Manoj V. Pawar
Castle Rock, Colorado

Vice President and Chief Medical Officer, Mutual of
Omaha Insurance Company

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 such other Officers and employees as may be required to carry on the business of the Corporation and may fix their terms of office or employment.”

The following is a partial listing of Senior Officers elected and serving the Company on December 31, 2022:

Name

Office

Bradley N. Buechler
Jay A. Vankat
Scott L. Herchenbach
Manoj V. Pawar

President
Corporate Secretary
Treasurer
Senior Vice President and Chief Medical Officer

TRANSACTIONS WITH AFFILIATES

Intercompany Services Agreement

Effective February 1, 2018, the Company entered into an intercompany services agreement with its parent, Mutual. The agreement provides that, “the parties will make available to each other the services of certain employees, specialists, professionals, skilled and experienced administrators, and a variety of equipment and facilities, as needed, at a cost to be determined as the function, services and equipment are made available, with the primary object being overall cost equity.” Services include accounting, treasury management, business operation management, investment portfolio management and other areas of expertise, such as public relations or other professional services.

The agreement is effective until terminated, which can be done by either party providing 90 days written notice.

Tax Allocation Agreement

A consolidated federal income tax return is filed for Mutual 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

Effective November 29, 2022, the Company entered into a \$250,000,000 Revolving Credit Note with its parent, Mutual. As of December 31, 2022, the Company had borrowed \$64,500,000 under the agreement.

Capital Contributions

The Company received capital contributions of \$90,000,000 and \$300,000,000 in 2019 and 2020, respectively. All contributions were from the Company's parent, Mutual.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states, with the exception of New York. The Company is also licensed in the District of Columbia and the U.S. Virgin Islands.

The Company provides Medicare Part D prescription drug plan products to Medicare-eligible individuals and is approved by the Centers for Medicare and Medicaid Services.

REINSURANCE

Prior to 2020, the Company had a closed block of credit life insurance and long-term care insurance that was ceded and administered by Protective Life Insurance Company on a 100% coinsurance basis. These policies ended in 2019 and the Company has not assumed nor ceded reinsurance since 2019.

BODY OF REPORT

GROWTH

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$ 6,266,507	\$ 6,271,956	\$ 6,277,585	\$ 6,283,403
Admitted assets	93,086,064	352,946,045	498,425,353	339,806,621
Aggregate health reserves	18,986,246	37,801,304		
Total liabilities	30,489,205	79,390,948	220,610,555	74,382,139
Capital and surplus	62,596,859	273,555,097	277,814,798	265,424,482
Premium income	47,952,229	190,531,040	154,546,060	81,778,866
Net investment income	310,329	171,891	(1,574,834)	(1,343,388)
Hospital and medical benefits	47,096,568	204,420,674	149,839,319	61,388,127
Net income	(34,454,868)	(79,597,491)	4,084,588	(9,196,524)

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, 2022. 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, 2022

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 6,283,403		\$ 6,283,403
Cash	(11,096,672)		(11,096,672)
Cash equivalents	<u>5</u>		<u>5</u>
Subtotal, cash and invested assets	\$ (4,813,265)		\$ (4,813,265)
Investment income due and accrued	62,061		62,061
Uncollected premiums and agents' balances in the course of collection	5,277,547	\$ 416,858	4,860,689
Accrued retrospective premiums	89,050,844		89,050,844
Amounts receivable relating to uninsured plans	181,095,860		181,095,860
Health care and other amounts receivable	<u>76,213,595</u>	<u>6,663,164</u>	<u>69,550,431</u>
Total assets	<u>\$346,886,643</u>	<u>\$7,080,022</u>	<u>\$339,806,621</u>
<u>Liabilities, Surplus, and Other Funds</u>			
Claims unpaid			\$ 4,610,710
Unpaid claims adjustment expenses			697,293
Premiums received in advance			516,787
General expenses due or accrued			2,589,588
Amounts withheld or retained for the account of others			5,627
Remittances and items not allocated			44
Borrowed money			64,890,166
Amounts due to parent, subsidiaries and affiliates			1,069,968
Liability for abandoned property			<u>1,957</u>
Total liabilities			\$ 74,382,139
Common capital stock			5,000,000
Gross paid in and contributed surplus			484,493,010
Unassigned funds (surplus)			<u>(224,068,528)</u>
Total capital and surplus			<u>\$ 265,424,482</u>
Total liabilities, capital, and surplus			<u>\$ 339,806,621</u>

STATEMENT OF REVENUES AND EXPENSES– 2022

Revenues

Net premium income \$81,778,866

Expenses

Prescription drugs 61,388,127

Claims adjustment expenses 11,743,979

General administration expenses 15,757,977

Total underwriting deductions \$88,890,083

Net underwriting loss \$ (7,111,217)

Investment Income

Net investment income earned \$ (1,343,388)

Net loss from agents' or premium balances charged off (741,919)

Subtotal \$ (2,085,307)

Net income before federal income taxes \$ (9,196,524)

Net loss \$ (9,196,524)

CAPITAL AND SURPLUS ACCOUNT

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, beginning	<u>\$ 9,407,350</u>	<u>\$ 62,596,859</u>	<u>\$273,555,097</u>	<u>\$277,814,798</u>
Net income	\$(34,454,868)	\$(79,597,491)	\$ 4,084,588	\$ (9,196,524)
Change in nonadmitted assets	(2,355,623)	(1,593,721)	175,114	(3,193,791)
Surplus adjustment paid in	90,000,000	300,000,000		
Change to prior year	<u> </u>	<u>(7,850,550)</u>	<u> </u>	<u> </u>
Net change for the year	<u>\$ 53,189,510</u>	<u>\$210,958,237</u>	<u>\$ 4,259,701</u>	<u>\$ (12,390,315)</u>
Capital and surplus, ending	<u>\$ 62,596,859</u>	<u>\$273,555,097</u>	<u>\$277,814,798</u>	<u>\$265,424,482</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$(224,068,528), as reported in the Company's 2022 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, Brian Davis, CFE, Joe Jacobson, CFE, John Wiatr, CFE, and Caden Boesiger, Financial Examiners; and Michael Muldoon, MAAA, ASA, FCA, and Margaret Garrison, Actuarial Examiners; all with the Nebraska Department of Insurance; Stefan Obereichholz-Bangert, AES, CISA, CISM and Michael Nadeau, CFE, AES, CISA, CPA Information Systems Specialists with Noble Consulting Services, Inc., contracted by the Nebraska Department of Insurance; and Financial Examiners and Actuarial Examiners with the New York Department of Financial Services; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Isaak Russell, CFE
Examiner-in Charge
Department of Insurance
State of Nebraska


State of Nebraska,

County of Lancaster,

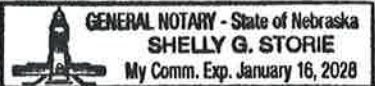
Isaak Russell, being duly sworn, states as follows:


1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Mutual of Omaha Insurance Company and its insurance affiliates.
2. The Department of Insurance of the 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 report, and the examination of Mutual of Omaha and its insurance affiliates was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by ISAIAK RUSSELL on this 15th day of APRIL, 2024.

(SEAL) 


Notary Public

My commission expires Jan 16, 2028 [date].