

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

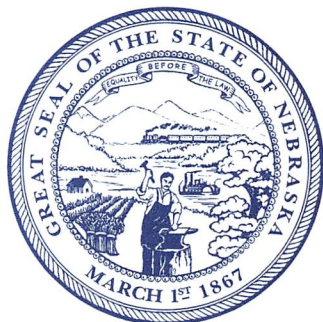
OMAHA INSURANCE COMPANY

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 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".

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

OMAHA INSURANCE COMPANY

as of

December 31, 2022

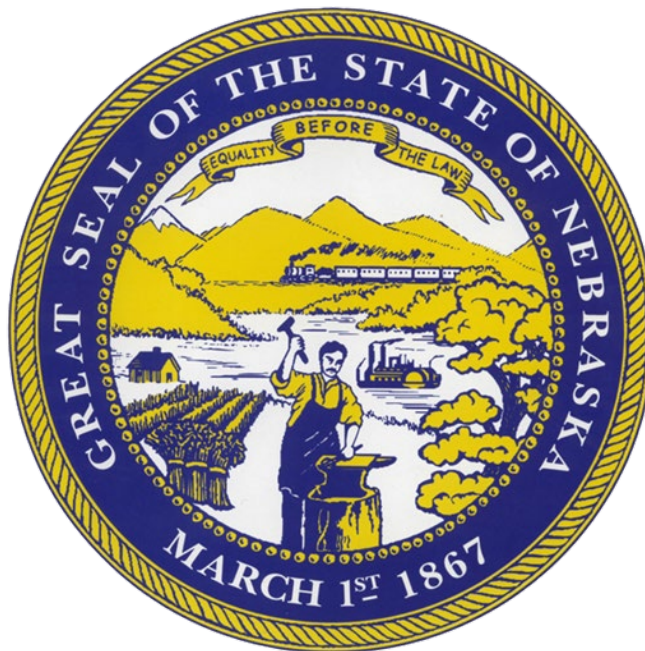


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Omaha, Nebraska
April 15, 2024

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 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 ultimate parent, Mutual of Omaha Insurance Company (Mutual) and affiliates, Companion Life Insurance Company (CLIC), Medicare Advantage Insurance Company of Omaha, Mutual of Omaha Medicare Advantage Company, Omaha Health Insurance Company,

Omaha Reinsurance Company (ORC), Omaha Supplemental Insurance Company (OSIC), United of Omaha Life Insurance Company (United), and United World Life Insurance Company (UWLIC).

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, 2021 and 2022. 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 November 2006 as a wholly-owned subsidiary of Mutual of Omaha Holdings, Inc.

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 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,

2022, Company records indicated that 2,000,000 shares were issued and outstanding, which were all owned by Mutual of Omaha Holdings, Inc.

Article I, Section 1 of the Company's By-Laws provides that, "the Stockholders 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 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 by a majority vote of the stock represented in person or by proxy at the meeting for a term of one year each. The Directors shall hold office until their successors are elected and qualified."

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

<u>Name and Residence</u>	<u>Principal Occupation</u>
T. Scott Ault Eatonton, Georgia	Executive Vice President, Mutual of Omaha Insurance Company
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
Stacy A. Scholtz Omaha, Nebraska	Executive Vice President, 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 employ 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 and their salaries and compensation.”

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

<u>Name</u>	<u>Office</u>
James T. Blackledge	President
Jay A. Vankat	Corporate Secretary
Scott L. Herchenbach	Treasurer

TRANSACTIONS WITH AFFILIATES

Intercompany Service Agreement

Effective August 1, 2020, the Company and certain of its affiliates entered into an intercompany services agreement. The parties to the agreement include the ultimate parent, Mutual, CLIC, East Campus Realty, LLC, Mutual Community Development Company, Mutual of Omaha Holdings, Inc., Mutual of Omaha Investor Services, Inc., Mutual of Omaha LoanPro, L.L.C., Mutual of Omaha Marketing Corporation, Mutual of Omaha Mortgage, Inc., Mutual of Omaha Structured Settlement Company, OMAFIN, Inc., Omaha Financial Holdings, Inc., ORC, OSIC, Turner Park North, LLC, UM Holdings, LLC., United, and UWLIC. The agreement was executed to revoke and replace various other existing services agreements and consolidate them into one agreement.

This agreement provides that, “the parties will make available to each other the services of certain employees, specialists, professionals, skilled and experienced administrators and specialized equipment, as needed, upon terms that are fair and reasonable at a reasonable cost to be determined by the provider of the services as the function, services and equipment are made available.” The services to be performed include accounting, treasury management, business operation management, investment advisory, and other areas of expertise, such as public relations or other professional services.

The agreement is effective until terminated. Any party may terminate its participation in the agreement by providing 90 days written notice to the other parties.

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 Credit Note

Effective October 7, 2022, the Company entered into a \$30,000,000 bilateral unsecured revolving credit note with its ultimate parent, Mutual, whereby Mutual would loan to the Company. There were \$9,500,000 outstanding borrowings under this agreement as of December 31, 2022.

Also effective October 7, 2022, the Company entered into a \$30,000,000 bilateral unsecured revolving credit note with its ultimate parent, Mutual, whereby the Company would

loan to Mutual. There were no outstanding borrowings under this agreement as of December 31, 2022.

Capital Contributions

The Company received a \$10,000,000 cash capital contribution on December 26, 2019 from its ultimate parent, Mutual.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in 47 states and the District of Columbia. The Company is not licensed in Florida, New Hampshire, and New York.

The Company sells Medicare supplement insurance and utilizes multiple distribution channels including Mutual's captive agency system, independent brokers, and direct-to-consumer. The Company reinsures 90% of its individual health business to Mutual under a quota share reinsurance agreement.

REINSURANCE

Under the terms of a reinsurance agreement, effective April 1, 2012, the Company cedes to Mutual of Omaha, 90% of all individual Medicare Supplement business. This agreement contains appropriate insolvency and intermediary clauses, as well as a proper termination provision.

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	\$ 91,786,094	\$109,115,080	\$ 97,253,364	\$ 93,999,317
Admitted assets	109,451,651	122,517,880	114,650,585	108,631,891
Aggregate A&H reserves	4,632,542	7,463,947	10,607,248	13,875,983
Total liabilities	54,506,198	66,553,684	61,966,819	58,534,990
Capital and surplus	54,945,452	55,964,196	52,683,766	50,096,901
Premium income	73,623,092	78,738,360	79,655,833	82,090,310
Net investment income	2,942,541	3,410,080	3,014,300	3,129,214
Disability benefits	63,854,769	59,938,137	63,199,191	66,110,376
Net income	(8,974,023)	(1,902,340)	(2,166,214)	(2,464,680)

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	\$ 93,999,317		\$93,999,317
Cash	<u>(454,756)</u>		<u>(454,756)</u>
Subtotal, cash and invested assets	\$ 93,544,561		\$93,544,561
Investment income due and accrued	500,563		500,563
Uncollected premiums and agents' balances in the course of collection	(64,149,321)	\$ 221	(64,149,542)
Amounts recoverable from reinsurers	51,653,961		51,653,961
Other amounts receivable under reinsurance contracts	13,695,010		13,695,010
Net deferred tax asset	18,698,451	11,801,027	6,897,424
Guaranty funds receivable	1,704,409		1,704,409
Receivables from affiliates	37,094		37,094
Health care and other amounts receivable	160,143	160,143	
Suspense items	<u>14,926,374</u>	<u>10,177,964</u>	<u>4,748,410</u>
Total assets	<u>\$130,771,246</u>	<u>\$22,139,355</u>	<u>\$108,631,891</u>

Liabilities, Surplus, and Other Funds

Aggregate reserve for accident and health contracts	\$ 13,875,983
Accident and health contract claims	8,944,491
Premiums received in advance	1,028,502
Interest maintenance reserve	410,036
Commissions to agents	335,233
General expenses	1,075,825
Taxes, licenses and fees	5,432,273
Current federal income taxes	548,593
Amounts held for agents' account	2,077,117
Remittances and items not allocated	78,499
Borrowed money	9,508,443
Asset valuation reserve	592,237
Payable to parent, subsidiaries and affiliates	13,126,734
Drafts outstanding	147,022
Miscellaneous liabilities	<u>1,354,002</u>
Total liabilities	\$ 58,534,990
Common capital stock	2,000,000
Gross paid in and contributed surplus	98,126,000
Unassigned funds (surplus)	<u>(50,029,099)</u>
Total capital and surplus	\$ <u>50,096,901</u>
Total liabilities, capital, and surplus	<u>\$108,631,891</u>

STATEMENT OF REVENUES AND EXPENSES - 2022

Premiums and annuity considerations for life and accident and health contracts	\$ 82,090,310
Net investment income	3,129,214
Amortization of interest maintenance reserve	257,763
Commissions and expense allowances on reinsurance ceded	146,253,696
Other miscellaneous income	<u>31,029</u>
 Total income	 <u>\$231,762,011</u>
 Disability benefits and benefits under accident and health contracts	 \$ 66,110,376
Increase in aggregate reserves for life and accident and health contracts	<u>3,268,735</u>
 Total benefits	 \$ 69,379,110
 Commissions on premiums, annuity considerations and deposit-type contracts	 86,701,758
General insurance expenses	56,947,309
Insurance taxes, licenses and fees, excluding federal income taxes	18,768,851
Other deductions	<u>17,653</u>
 Total benefits and expenses	 <u>\$231,814,682</u>
 Net gain from operations before dividends, federal income taxes and net realized capital gains	 \$ (52,671)
Federal income taxes incurred	2,408,033
Net realized capital losses	<u>(3,976)</u>
 Net loss	 <u>\$ (2,464,680)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, beginning	<u>\$49,280,204</u>	<u>\$54,945,452</u>	<u>\$55,964,196</u>	<u>\$52,683,766</u>
Net income	\$ (8,974,023)	\$ (1,902,340)	\$ (2,166,214)	\$ (2,464,680)
Change in net deferred income tax	4,510,599	8,317,163	3,260,402	2,610,287
Change in nonadmitted assets	206,958	(5,312,029)	(4,350,063)	(2,710,784)
Change in asset valuation reserve	(78,286)	(84,051)	(24,555)	(21,688)
Surplus adjustment paid in	<u>10,000,000</u>	<u> </u>	<u> </u>	<u> </u>
 Net change for the year	 <u>\$ 5,665,248</u>	 <u>\$ 1,018,743</u>	 <u>\$ (3,280,430)</u>	 <u>\$ (2,586,865)</u>
 Capital and surplus, ending	 <u>\$54,945,452</u>	 <u>\$55,964,196</u>	 <u>\$52,683,766</u>	 <u>\$50,096,091</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$(50,029,099), 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,

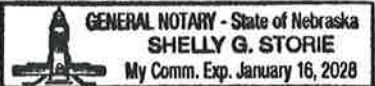
Isaak Russell, being duly sworn, states as follows:


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].