

JUN 20 2024

# CERTIFICATION

FILED

June 20, 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

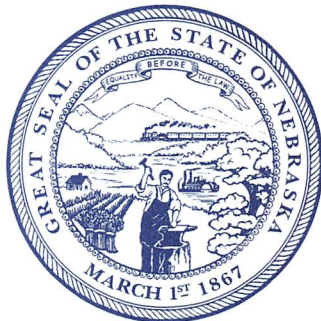
OMAHA NATIONAL INSURANCE COMPANY

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 NATIONAL INSURANCE COMPANY**

**9110 W Dodge Rd, Suite 300**

**Omaha, NE 68114**

dated as of December 31, 2022, verified under oath by the examiner-in-charge on  
June 4, 2024, and received by the company on June 20, 2024, has been adopted  
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 20<sup>th</sup> day of June 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**

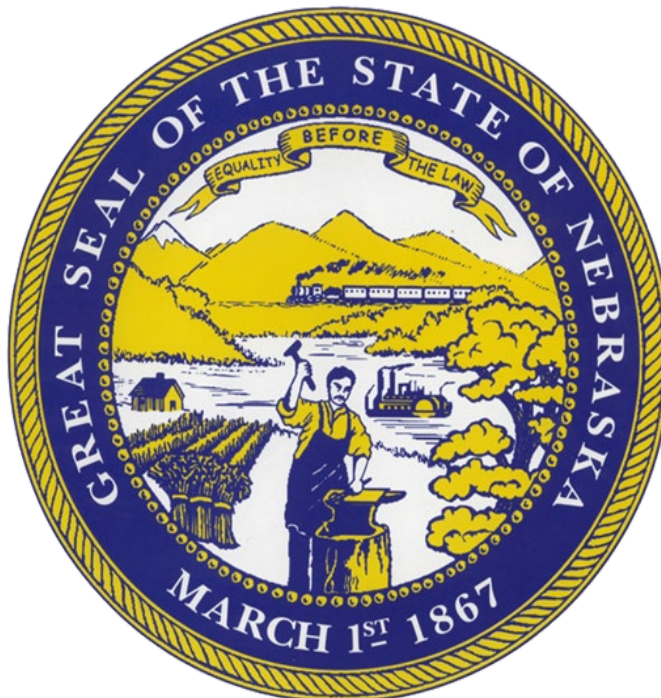
**EXAMINATION REPORT**

**OF**

**OMAHA NATIONAL INSURANCE COMPANY**

**as of**

**December 31, 2022**



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Omaha, Nebraska  
June 5, 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 NATIONAL INSURANCE COMPANY  
9110 W Dodge Rd, Suite 300  
Omaha, NE 68114**

(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 State of Nebraska participated in this examination and prepared this report.

### **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 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 Shareholders, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, and approval of investment transactions were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. 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 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 organized under the laws of the State of Nebraska as Omaha National Insurance Company on March 29, 2017. On August 28, 2017, the Company received a \$3,000,000 contribution from Omaha National Group, LLC, to purchase 120,000 shares valued at \$10 per share resulting in \$1,200,000 in capital stock and additional paid in of \$1,800,000 to meet

the requirements to become authorized by the Nebraska Department of Insurance. The Company received a Certificate of Authority to write property and casualty lines of business, including workers' compensation insurance, and began operations on September 8, 2017.

Upon the Company's incorporation, it was wholly owned by the Omaha National Group, LLC. Subsequent to incorporation of the Company, but prior to it receiving a Certificate of Authority, the Omaha National Group, LLC converted to general corporate form and is now known as Omaha National Group, Inc. (ONG).

Effective August 3, 2021, the Company completed a legal entity restructuring that included a change in capital structure of ONG. As part of this restructuring, ONG was converted from a corporation domiciled in Nebraska to Delaware. Ownership of ONG by AP Omaha National, LLC (APON) was expanded to include outside parties (Series B Investors) who account for 7.8% of ownership. All membership interests in APON are owned by the Howard Scott Silverman Gift Trust (the Trust), the ultimate controlling person. Howard Scott Silverman is in control of the Trust, which in turn owns all membership interest in APON, which in turn currently owns 78.01% of the outstanding stock of ONG, which in turn owns 100% of the outstanding stock of the Company.

The remainder of the Company's shares were issued to ONG during 2022 for an additional \$1,800,000 of capital stock.

## **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):

Howard Scott Silverman Gift Trust

AP Omaha National, LLC (78.01% owned by Howard S. Silverman Gift Trust)

Omaha National Group, Inc.

Omaha National Insurance Company

Omaha National Underwriters, LLC

Omaha National Employer Services, LLC

### **Shareholder**

Article II, Section 2.01 of the Company's By-Laws states that, "annual meetings of the Shareholders shall be held at a place determined by the Board and stated in the notice to Shareholders and shall be held before June 30 of each year." After review of the provided Shareholder meeting minutes, it appears as though the Annual Shareholders meeting took place in May during each year under examination, in compliance with the Company's By-Laws.

Article 3 of the Company's Articles of Incorporation states that, "the aggregate number of shares which the Corporation shall have authority to issue is three hundred thousand (300,000) shares of voting common stock with a \$10 par value per share." The Company received a \$3,000,000 capital contribution from its parent, ONG on August 28, 2017 as part of its initial stock issuance – representing the purchase of 120,000 shares and \$1,800,000 in additional paid in surplus. An additional thirty thousand (30,000) shares were issued on September 19, 2022 and an additional one-hundred fifty thousand (150,000) shares were issued on October 4, 2022, resulting in current capital stock of \$3,000,000. Additional capital contributions have occurred in each year of the current exam, starting with \$3,000,000 in 2019, \$8,000,000 in 2020, \$35,000,000 in 2021, and \$18,200,000 in 2022. As of 2022, the Company's gross paid in and contributed surplus is \$67,500,000. The Company paid no dividends during the period under examination.

### **Board of Directors**

Article III, Section 3.01 of the Company's By-Laws states that, "the Board of Directors shall consist of eight (8) Members. At least one Board Member shall be a resident of Nebraska." The Company is not in compliance with this provision as they had seven (7) Board members as of the end of examination date. It is recommended that the Company add additional members to the Board of Directors or amend its Articles of Incorporation and By-Laws so that the Company is in compliance with the required number of members on the Board of Directors. Article III, Section 3.02 of the Company's By-Laws further states that, "the Board shall be elected by the Shareholders. Each Board Member shall hold office until the expiration of his or her term, the election and qualification of his or her successor, his or her death, or his or her resignation or removal." Article III, Section 3.05 of the Company's By-Laws states that, "the annual meeting of the Board shall be held without notice on the same day and in the same place as the annual meeting of the Shareholders. Other meetings of the Board shall be held at times and places fixed by the Board."

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

<b><u>Name and Residence</u></b>	<b><u>Principal Occupation</u></b>
Geoffrey Banta Chicago, Illinois	Retired Chief Operating Officer AMERISAFE
Beth Boucher Omaha, Nebraska	Former Chief Information Officer and Senior Vice President, SiriusPoint
Dennis Chookaszian Wilmette, Illinois	Adjunct Professor, University of Chicago
Nick Davies Miami, Florida	Chief Executive Officer, Aurenity Insurance
Ryan Moore Boston, Massachusetts	Venture Capitalist, Accomplice

**Name and Residence****Principal Occupation**

Reagan Pufall  
Omaha, Nebraska

Chief Executive Officer and President,  
Omaha National Insurance Company

Howard Scott Silverman  
Chicago, Illinois

Chief Executive Officer, Agman Partners

Subsequent to the exam period, Ryan Moore and Beth Boucher left the Board of Directors and as of the report date the Board of Directors currently consists of five (5) members.

**Officers**

Article IV of the Company's By-Laws states that, "the Officers of the Company would include a President, a Treasurer, and a Secretary. The Board may also appoint a Board Chair, a Chief Executive Officer, a Chief Operating Officer, and a Chief Financial Officer. Any number of offices may be held by the same person. Any officer appointed by the Board may be removed, either with or without cause, by majority vote of the Board. The Board may empower the President and/or the Chief Executive Officer to appoint other Officers and agents as the business of the Company may require."

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

**Name****Office**

Reagan Pufall  
Bryan Connolly  
Christopher LaMantia  
Jim Hempel  
Dale Mackel

Chief Executive Officer  
Chief Operating Officer  
Chief Marketing Officer  
General Counsel  
Chief Financial Officer

Dale Mackel was selected to be the Chief Financial Officer as of the date of the Fourth Quarter Meeting of the Nominating and Corporate Governance Committee, but was not officially a part of the Company on December 31, 2022.

## **Committees**

Article V, Section 5.01 of the Company's By-Laws states that, "the Board shall elect not fewer than three of its Members to serve as the Audit Committee."

The following persons were serving on the Audit Committee on December 31, 2022:

Geoffrey Banta

Dennis Chookaszian

Article V, Section 5.02, of the Company's By-Laws states that, "the Board may choose to elect not fewer than three of its Members to serve as the Compensation Committee."

The following persons were serving on the Compensation Committee on December 31, 2022:

Ryan Moore

Nick Davies

Article V, Section 5.04, of the Company's By-Laws states that "the Board may establish and discontinue other committees from time to time, delegating to each of them such responsibilities and authority it deems appropriate and designate a chair of each committee." As of December 31, 2022, the Company also maintained a Governance and Nominating Committee.

The following persons were serving on the Governance and Nominating Committee on December 31, 2022:

Nick Davies

Dennis Chookaszian

The Audit Committee and the Compensation Committee are not compliant with the membership requirements stated in the Company's By-Laws. It is recommended that the Company add additional members to the Audit Committee and Compensation Committee or amend its By-Laws in order to comply with the required number of Committee Members.

## **TRANSACTIONS WITH AFFILIATES**

### **Cost Sharing Agreement**

Effective September 8, 2017, the Company entered into a cost sharing agreement with its parent and affiliates, including Omaha National Underwriters, LLC (ONU) and Omaha National Employer Services, LLC (ONES). The anticipated service provider for other members of the group was to be ONU, with the allocated amounts to be established in conformity with customary insurance accounting principles. An amendment was made to this agreement effective April 1, 2022, to alter the amounts provided to ONU, as the Company is now directly writing business and no longer needs to provide commissions to ONU. The agreement was also amended to expand the types of costs that could be shared with ONU to include amounts typically covered by the previously paid commissions, such as claims adjudication fees.

### **Tax Allocation Agreement**

Effective January 1, 2018, the Company's federal income tax return was consolidated with ONG, ONU, and ONES. Under terms of the agreement, ONG filed consolidated federal tax returns for the consolidated group. The consolidated tax liability is allocated among affiliates on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return.

## **TERRITORY AND PLAN OF OPERATION**

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in Nebraska, Arizona, Delaware, Georgia, Iowa, Kentucky, Louisiana, Maryland, Missouri, North Carolina, Oklahoma, and Utah.

The Company is a mono-line workers' compensation writer that has been rapidly growing since its incorporation in 2017. For the first few years of operations, the Company assumed 25%

of the premium on workers' compensation policies from Preferred Professional Insurance Company (PPIC) on a quota-share basis, through a fronting agreement. Beginning April 1, 2022, the Company assumed 100% of the premium produced through PPIC and Palomar Specialty Insurance Company (PSIC). The Policies assumed from PPIC and PSIC are underwritten, bound, and serviced by an affiliated MGA, ONU.

Effective November 1, 2021, the Company began writing direct policies. The Company cedes 75% of its direct written business to non-affiliated insurers through a contract with its reinsurance broker, Guy Carpenter. The Company has also purchased catastrophic reinsurance up to \$40 Million to protect itself from excessive loss.

## **REINSURANCE**

### **Assumed**

Effective October 1, 2017, the Company assumes reinsurance through participation in a fronting quota share reinsurance agreement with PPIC. PPIC will cede, and ONIC will accept, a 100% pro rata share of all losses or liabilities covered under the agreement. PPIC will cede the earned premium on all policies under the agreement and ONIC will pay a fronting fee of 5% of net premiums written. ONIC agrees to fund a proportionate share of PPIC's ceded unearned premium and outstanding loss and loss adjustment expenses by funds held in trust by PPIC. The amount held in trust on behalf of the ceding company, PPIC, is to be at least 110% of the sum of unearned premium and the total of actuarially determined loss and loss adjustment reserves, less premium funds held in the fiduciary premium account.

Effective August 1, 2022, the Company assumes reinsurance through participation in a fronting quota share reinsurance agreement with Palomar Specialty Insurance Company (PSIC).

PSIC will cede, and ONIC will accept, a 100% share of all liability covered under the agreement. ONIC will pay a fronting fee of 5% of net premiums written.

**Ceded**

**Workers' Compensation Quota Share Reinsurance Contract**

Effective April 1, 2022, the Company entered into a reinsurance intermediary relationship with Guy Carpenter and maintains agreements with numerous assuming reinsurers. A centralized quota share reinsurance agreement exists between ONIC and Guy Carpenter which establishes the line of business and other general information, and then each assuming reinsurer (the Reinsurers) provides a supplemental "Subscribers Agreement" denoting specific retention and limits for the portion of the ceded amount they are responsible for.

As respect to business subject to this contract, ONIC shall cede to the Reinsurers and the Reinsurers agree to accept their share of the first \$1M of net loss for each loss occurrence. The max amount recoverable by the Company from the Reinsurer, for all loss occurrences commencing during the term of the contract, shall not exceed an amount equal to 150% of the gross net written premium. Additionally, for all loss occurrences commencing during the term of the contract arising out of communicable disease, the maximum amount recoverable shall not exceed \$15M.

The Company shall retain the amount by which losses incurred hereunder exceed 61.5% of premiums earned, subject to a max additional retention ("loss corridor") equal to 10.0% of said premiums earned.

Specific additional provisions have been included for specific reinsurers as follows:

Regarding Axis Reinsurance Company, coverage shall not exceed an amount equal to 200% of the gross net written premium.

Regarding Partner Reinsurance Company, the maximum amount recoverable by the Company from the reinsurer shall not exceed an amount equal to 125% of the gross net written premium, and during the term of this contract arising out of communicable disease, shall not exceed \$7.5M.

Regarding PSIC, the maximum amount recoverable shall not exceed an amount equal to 150% of the premiums earned.

Of the Reinsurers, all are authorized or domiciled in a state with similar credit for reinsurance laws except for White Rock Insurance, for which a trust account is maintained as collateral for the reinsurance business.

#### **Workers Compensation Excess of Loss Reinsurance Contract**

Similar to the above quota share agreement, effective April 1, 2022, a centralized excess of loss reinsurance agreement exists between ONIC and Guy Carpenter which establishes the line of business and other general information, and then each assuming reinsurer provides a supplemental “Subscribers Agreement” denoting specific retention and limits for the portion of the ceded amount they are responsible for.

The agreement provides that the Company has a retention limit of \$1,000,000 per occurrence and amounts in excess of that are divided among several other reinsurers at different percentages up to \$5,000,000 per occurrence, and then a second layer is divided among the same reinsurers up to a limit of \$10,000,000.

The reinsurers that are providing services under this agreement are all authorized or trustees.



### **Workers Compensation Catastrophe Excess of Loss Reinsurance Contract**

Effective April 1, 2022, a centralized excess of loss catastrophe reinsurance agreement exists between ONIC and Guy Carpenter that is similar to the above agreement. The agreement establishes the line of business and other general information, and then each assuming reinsurer provides a supplemental “Subscribers Agreement” denoting specific retention and limits for the portion of the ceded amount they are responsible for.

The agreement provides that the Company has a retention limit of \$10,000,000 per occurrence and amounts in excess of that are divided among several other reinsurers at different percentages up to \$30,000,000 per occurrence, and then a second layer is divided among the same reinsurers up to a limit of \$40,000,000.

The reinsurers that are providing services under this agreement are all authorized or trusted.

### **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:

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Bonds	\$ 999,732	\$26,094,263	\$34,731,535	\$ 36,503,926
Cash and cash equivalents	12,303,460	3,520,402	38,055,826	62,464,119
Admitted assets	17,373,375	38,024,508	84,388,647	202,991,113
Loss reserves	3,886,773	11,035,750	19,692,236	22,444,682
Unearned premiums	4,934,919	10,486,538	14,040,250	16,656,500
Total liabilities	10,073,474	23,999,760	38,127,521	135,658,381
Capital and surplus	7,299,901	14,024,748	46,261,126	67,332,732
Premium earned	8,076,311	17,429,199	26,742,401	35,461,513
Net investment income	110,933	110,777	261,016	529,737
Losses incurred	2,823,250	10,018,340	17,132,060	17,365,411
Net income	818,916	(1,591,308)	(2,229,039)	2,493,118

### **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**

**Assets**

	<b><u>Assets</u></b>	<b><u>Assets Not Admitted</u></b>	<b><u>Net Admitted Assets</u></b>
Bonds	\$ 36,503,926		\$ 36,503,926
Cash and cash equivalents	<u>62,464,119</u>		<u>62,464,119</u>
Subtotal, cash and invested assets	\$ 98,968,044		\$ 98,968,044
Investment income due and accrued	132,767		132,767
Uncollected premiums and agents' balances in the course of collection	26,944,727		26,944,727
Deferred premiums, agents' balances and installments booked but deferred and not yet due	71,149,021	\$ 142,679	71,006,342
Amounts recoverable from reinsurers	4,381,588		4,381,588
Net deferred tax asset	1,575,186	17,541	1,557,645
Prepaid expenses	<u>101,977</u>	<u>101,977</u>	<u>                    </u>
Totals	<u>\$203,253,311</u>	<u>\$ 262,197</u>	<u>\$202,991,113</u>

**Liabilities, Surplus, and Other Funds**

Losses	\$ 22,444,682
Reinsurance payable on paid losses on loss adjustment expenses	7,552,374
Loss adjustment expenses	2,761,974
Other expenses	3,740,348
Taxes, licenses and fees	4,501
Current federal income taxes	1,195,888
Unearned premiums	16,656,500
Ceded reinsurance premiums payable (net of ceding commissions)	49,172,707
Provision for reinsurance	2,666,324
Payable to parent, subsidiaries and affiliates	14,515,415
Unearned ceding commission	<u>14,947,668</u>
Total liabilities	<u>\$135,658,381</u>
Common capital stock	\$ 3,000,000
Gross paid in and contributed surplus	67,500,000
Unassigned funds	<u>(3,167,268)</u>
Total capital and surplus	<u>\$ 67,332,732</u>
Totals	<u>\$202,991,113</u>

## **STATEMENT OF INCOME – 2022**

### **Underwriting Income**

Premiums earned	\$35,461,513
Losses incurred	\$17,365,411
Loss adjustment expenses incurred	3,027,896
Other underwriting expenses incurred	<u>12,197,915</u>
Total underwriting deductions	<u>\$32,591,222</u>
Net underwriting gain	<u>\$ 2,870,291</u>

### **Investment Income**

Net investment income earned	\$ 529,737
Net realized capital gain	(42,461)
Net investment gain	<u>\$ 487,276</u>
Net income before dividends to policyholders and federal income taxes	\$ 3,357,567
Federal and foreign income taxes incurred	<u>864,449</u>
Net income	<u>\$ 2,493,118</u>

## **CAPITAL AND SURPLUS ACCOUNT**

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Capital and surplus, beginning	<u>\$3,230,300</u>	<u>\$ 7,299,901</u>	<u>\$14,024,748</u>	<u>\$46,261,126</u>
Net income	\$ 818,916	\$(1,591,308)	\$ (2,229,039)	\$ 2,493,118
Change in net unrealized capital gains		(6,027)	(329)	(23,511)
Change in net deferred income tax	293,634	590,408	504,741	180,242
Change in nonadmitted assets	(42,948)	(268,226)	(1,038,995)	1,088,080
Change in provision for reinsurance				(2,666,324)
Change in capital paid in				1,800,000
Change in surplus paid in	<u>3,000,000</u>	<u>8,000,000</u>	<u>35,000,000</u>	<u>18,200,000</u>
Net change for the year	<u>\$4,069,602</u>	<u>\$ 6,724,847</u>	<u>\$32,236,378</u>	<u>\$21,071,605</u>
Capital and surplus, ending	<u>\$7,299,901</u>	<u>\$14,024,748</u>	<u>\$46,261,126</u>	<u>\$67,332,732</u>

## **EXAMINATION CHANGES IN FINANCIAL STATEMENTS**

Unassigned funds (surplus) in the amount of \$(3,167,268), 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**

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

**Actuarial Report and Opinion** – It is recommended the Board of Directors receive a presentation of actuarial activities as required by the NAIC Annual Statement Instructions and document the occurrence and related discussions and activities in the Board of Directors meeting minutes.

**Actions:** The Company has complied with this recommendation.

**Audit Committee** – It is recommended the Board of Directors perform responsibilities as required by Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 014.01 and document performance and related discussions and activities in the Board of Directors meeting minutes.

**Actions:** The company has complied with this recommendation.

## **COMMENTARY ON CURRENT EXAMINATION FINDINGS**

### **Board Oversight of Investments**

A review of the Board of Directors minutes did not provide documentation of key required elements of oversight of the investment process as required by Neb. Rev. Stat. §44-5105. It is recommended that the Company comply with Neb. Rev. Stat. §44-5105 and approve its investment plan on an annual basis and investment activity on a quarterly basis.

### **Reinsurance Intermediary**

Upon review of the company's reinsurance monitoring practices, it was found that the Company is not complying with Neb. Rev. Stat. §44-5606(3). It is recommended that the Company annually obtain and review a copy of statements of the financial condition of each reinsurance intermediary with which it transacts business as required by Neb. Rev. Stat. §44-5606(3).

### **SUBSEQUENT EVENTS**

#### **PURCHASE OF SUBSIDIARY**

On June 30, 2023, the Company acquired Sutter Insurance Company for \$18.6 million of which \$750 thousand was for state insurance licenses and the remainder primarily for surplus. Sutter Insurance Company was later renamed as Omaha National Casualty Company (ONCC). In 2024, an additional \$32.7 million was contributed to ONCC and the investment now has a balance of \$51.3 Million. The Company wants to add workers compensation authority to Sutter's certificate of insurance in California. Sutter will remain domiciled in California.

### **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

The following comments and recommendations have been made as a result of this examination:

**Board of Directors** – It is recommended that the Company add additional members to the Board of Directors or amend its Articles of Incorporation and By-Laws so that the Company is in compliance with the required number of members on the Board of Directors.

**Board Committee Members** – The Audit Committee and the Compensation Committee are not compliant with the membership requirements stated in the Company's By-Laws. It is recommended that the Company add additional members to the Audit Committee and Compensation Committee or amend its By-Laws in order to comply with the required number of Committee Members.

**Board Oversight of Investments** - It is recommended that the Company comply with Neb. Rev. Stat. §44-5105 and approve its investment plan on an annual basis and investment activity on a quarterly basis.

**Reinsurance Intermediary** - It is recommended that the Company annually obtain and review a copy of statements of the financial condition of each reinsurance intermediary with which it transacts business as required by Nebraska Insurance Statute §44-5605(3).

### **ACKNOWLEDGMENT**

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

In addition to the undersigned, Michael Sullivan, CFE, Alexis Anderson, AFE, Financial Examiners; Gary Evans, CISA, AES, CFE, Information Systems Specialist; and Michael Muldoon, MAAA, ASA, FCA, and Nguyen Thai, Actuarial Examiners; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'B. Davis', is positioned above a horizontal line.

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Brian Davis, CFE  
Examiner-in Charge  
Department of Insurance  
State of Nebraska



State of Nebraska,

County of Lancaster,

Brian Davis, being duly sworn, states as follows:

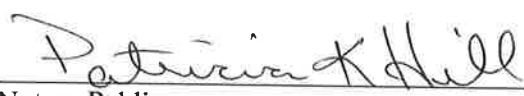
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Omaha National Insurance Company
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Omaha National Insurance Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

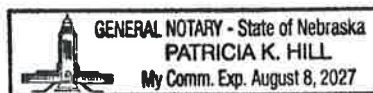
The affiant says nothing further.

  
Examiner-in-Charge's Signature

Subscribed and sworn before me by Brian Davis on this 4 day of June, 2024.

(SEAL)

  
Notary Public



My commission expires 8-8-27 [date].