

CERTIFICATION

June 4, 2012

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

Report of Examination of Financial Condition

Mutual of Omaha Insurance Company
as of

December 31, 2010

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

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



Bruce R. Ramage

DIRECTOR OF INSURANCE

MUTUAL OF OMAHA INSURANCE COMPANY

Mutual of Omaha Plaza

Omaha, Nebraska 68175

Report of Association

Financial Condition Examination

as of

December 31, 2010

States Participating

Nebraska

**STATE OF NEBRASKA
DEPARTMENT OF INSURANCE**

JUN 04 2012

FILED

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Omaha, Nebraska
May 7, 2012

Honorable Joseph Torti, III
Chairman, Financial Condition (E) Committee, NAIC
Superintendent of Insurance & Banking
Rhode Island Division of Insurance
1511 Pontiac Avenue, Bldg #69-2
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Honorable Bruce Ramage
Director of Insurance
Nebraska Department of Insurance
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Sirs:

Pursuant to your instructions and authorizations, pursuant to Neb. Rev. Stat. §44-5904 (1),
an Association Examination has been conducted of the financial condition and business affairs of
the

MUTUAL OF OMAHA INSURANCE 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 December 31, 2006, by the State of Nebraska, representing the Midwestern Zone, NAIC. The current financial condition examination covered the intervening period to and including the close of business on December 31, 2010, and incorporated such subsequent events and transactions as were deemed pertinent to this report. The State of Nebraska, representing the Midwestern Zone, NAIC, participated in the examination and the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's subsidiaries: Omaha Insurance Company, United of Omaha Life Insurance Company and its subsidiaries: Omaha Life Insurance Company, Omaha Reinsurance Company, and United World Life Insurance Company.

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners 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 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, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

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. Its 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 disclosures 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 policyholders, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, elections 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. 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 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 "Description of Company". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. Additionally, NAIC IRIS test results were reviewed for all years covered by this examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination included a review of work papers prepared by

Deloitte & Touche LLP, the Company's independent auditors, in their examination of the Company's accounts for the year ended December 31, 2010. The auditors' work papers were utilized to assist in determining the scope and areas of emphasis in conducting the examination. The aforementioned utilization of the auditors' work papers was performed pursuant to Title 210 (Rules of Nebraska Department of Insurance), Chapter 56, Section 013.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated under the laws of the State of Nebraska on March 5, 1909, and commenced business January 10, 1910, on the mutual assessment plan under the name "Mutual Benefit Health and Accident Association". At the annual meeting of the policyholders held on February 10, 1962, the Articles of Incorporation were amended changing the corporate structure from a mutual assessment association to a mutual legal reserve company with no power to levy assessments and also changing its name to "Mutual of Omaha Insurance Company".

The Company has been authorized to write business in Canada since 1935. In 1966, the Company extended its operation in Canada to include life insurance. In 1998, the Company withdrew its operations in Canada. The Company has limited its operations in the United States to only accident and health business since May 15, 1977.

The Company is licensed to write life and accident & health (A&H) insurance in all fifty states within the United States, including the District of Columbia, Puerto Rico, U.S. Virgin Islands, and the British Virgin Islands, focusing primarily on A&H business, specifically Medicare Supplement and Long Term Care, Long and Short Term Disability, and formerly, Group Accident and Health (Commercial and Governmental).

The Company's current Certificate of Authority authorizes it to write Life and Sickness and Accident insurance in the State of Nebraska pursuant to Neb. Rev. Stat. Section 201.

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 2010 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
 - Continuum Worldwide Corporation
 - East Campus Realty, LLC
 - KFS Corporation
 - KFS BD, Inc.
 - KFS IA, Inc.
 - Mutual of Omaha Holdings, Inc.
 - Holdings Rowco, Inc.
 - Mutual of Omaha Investor Services, Inc.
 - Mutual of Omaha Marketing Corporation
 - Omaha Insurance Company
 - Retirement Marketing Solutions, Inc.
 - Omaha Financial Holdings, Inc.
 - Mutual of Omaha Bank
 - CondoCerts.com, Inc.
 - Mutual of Omaha LoanPro, LLC
 - The Omaha Indemnity Company
 - United of Omaha Life Insurance Company
 - Companion Life Insurance Company
 - Fulcrum Growth Partners, LLC (80%)
 - Fulcrum Growth Partners III, LLC (80%)
 - Omaha Life Insurance Company
 - Omaha Reinsurance Company
 - UM Holdings, LLC
 - UM Holdings II, LLC
 - UM Holdings III, LLC
 - United World Life Insurance Company
 - Mutual of Omaha Foundation

Policyholders

The By-Laws provide for the annual meeting of the policyholders to be held on a date and at a time and place to be determined by the Board of Directors. At any meeting of the policyholders, a quorum shall be those policyholders present in person or by proxy. Each policyholder of the Corporation present in person or by proxy at any meeting of the policyholders shall be entitled to one vote.

Board of Directors

The Company's By-Laws state that, "the Board of Directors shall have the general management and control of the business of the Corporation" and "the Board of Directors shall consist of not less than five nor more than twelve Directors." Not less than one of the Directors shall be a resident of Nebraska. Directors shall be elected at each annual meeting of policyholders.

The By-Laws also provide that the annual meeting of the Board of Directors shall be held immediately following the adjournment of the annual meeting of the policyholders or as soon thereafter as practicable. In addition to the annual meeting, regular meetings of the Board of Directors shall be held at a date, time and place to be determined by the Board of Directors. Special meetings may be held at such times and places as the Chairman of the Board may designate.

The following persons were serving as Directors at December 31, 2010:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Robert Logan Clarke Houston, TX	Senior Partner, Bracewell & Guliani, LLP
Wayne Gary Gates Omaha, NE	President and Chief Executive Officer, Omaha Public Power District
Jeffrey Merwin Heller Dallas, TX	Former Vice Chairman, President and Chief Operations Officer, Electronic Data Systems
Derek Ray McClain Dallas, TX	Former Chief Financial Officer and General Counsel, Trammell Crow Company

<u>Name and Residence</u>	<u>Principal Occupation</u>
James Gilbert McFarlane Santa Barbara, CA	Executive Vice President and West Region Chairman, Brokerage Services Division, Arthur J. Gallagher & Company
Paula Rae Meyer St. Ansgar, IA	Independent Financial Advisory Consultant
Richard Willard Mies Fairfax Station, VA	President and Chief Executive Officer, The Mies Group, Ltd.
Daniel Paul Neary Omaha, NE	Chairman and Chief Executive Officer, Mutual of Omaha Insurance Company and United of Omaha Life Insurance Company
Anthony Joseph Principi St. Michaels, MD	Senior Vice President and Counselor to the Chairman and CEO, Pfizer, Inc.

Directors are elected for one-year terms and receive an annual retainer fee of \$35,000. Non-employee committee chairs also receive an annual retainer fee of \$2,500. In addition, the Lead Independent Director also receives an additional retainer of \$5,000. Directors who are not employees receive an additional \$1,000 per meeting attended. Directors who are not employees and are committee members also receive \$1,000 per committee meeting attended. All "outside" Directors are reimbursed for expenses incurred while attending meetings. Directors who are employees do not receive any fees.

Officers

According to the Articles of Incorporation, the Officers of the Corporation shall consist of a Chairman of the Board, President, one or more Vice Presidents, Secretary, Treasurer, and such other Officers as the By-Laws may provide.

The following is a partial listing of senior Officers elected and serving the Company at December 31, 2010:

<u>Name</u>	<u>Office</u>
Daniel P. Neary	Chairman of the Board and Chief Executive Officer
Richard C. Anderl	Executive Vice President and General Counsel
James T. Blackledge	Executive Vice President
David A. Diamond	Executive Vice President, Chief Financial Officer and Treasurer
Michael E. Huss	Corporate Secretary
Daniel P. Martin	Executive Vice President
Madeline R. Rucker	Executive Vice President
Stacy A. Scholtz	Executive Vice President
Michael C. Weekly	Executive Vice President
Richard A. Witt	Executive Vice President and Chief Investment Officer

Committees of the Board

Committees appointed by the Board of Directors and serving at December 31, 2010 were as follows:

Audit Committee
 Compensation and Evaluation Committee
 Corporate Governance Committee
 Executive Committee
 Investment Committee

TRANSACTIONS WITH AFFILIATES

The Company and United of Omaha Life Insurance Company (United) occupy the same Home Office building and to a great extent the same service areas, service offices and sales offices. Because of this relationship, each company incurs joint operating expenses subject to allocation. In addition, similar facilities and services are provided to other entities within the Holding Company structure.

Regular operating expenses of the companies are paid through the Accounts Payable and Expense Accounting Department of the Company. 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 cost centers, 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 of the expense allocations.

The Company received fees for management agreements, service contracts, and cost sharing agreements from various subsidiaries. During 2010, the Company received \$1,223,326 from affiliates The Omaha Indemnity Company and Mutual of Omaha Marketing Corporation.

Capital contributions were made to the following subsidiaries since the last financial examination:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Continuum Worldwide Corp		\$ 4,375,000	\$5,700,000	
East Campus Realty, LLC	\$ 28,200,000	8,300,000		\$26,000,000
Mutual of Omaha LoanPro, LLC	1,000,000			
Omaha Financial Holdings, Inc.	135,713,200	425,118,537		
Mutual of Omaha Holdings, Inc.	10,125,000	4,751,000	1,500,000	900,000
Omaha Insurance Co	8,126,000			
United of Omaha Life Insurance Co	<u>109,834,471</u>			
	<u>\$292,998,671</u>	<u>\$442,544,537</u>	<u>\$7,200,000</u>	<u>\$26,900,000</u>

There were no capital contributions made to the Company since the last financial examination.

The Company loaned funds under revolving lines of credit to subsidiaries since the last financial examination. Loans of \$2,600,000 and \$9,800,000 were made to Continuum Worldwide Corp in 2009 and 2010, respectively. Loans of \$1,900,000 and \$1,500,000 were made to East Campus Realty, LLC in 2009 and 2010, respectively.

The Company received loans, under revolving notes, from the subsidiaries since the last financial examination. United of Omaha Life Insurance Company loaned \$103,000,000 in 2007, and made two loans in 2008 for \$89,800,000 and \$30,000,000 to the Company. Also in 2008, The Omaha Indemnity Company and KFS Corporation loaned \$800,000 and \$15,600,000, respectively, to the Company.

The Company received two dividends from their subsidiary, The Omaha Indemnity Company, each for \$3,000,000, in 2008 and 2010. The Company also received a \$115,000,000 dividend from their subsidiary, United of Omaha Life Insurance Company, in 2008.

The Company contributed capital of \$14,000,000 towards a real estate joint venture investment in East Campus Realty, LLC in 2006. As detailed above, the Company has further contributed \$62,500,000 during this examination period. This joint venture is included as an other invested asset as of December 31, 2010. The Company has also provided a \$273,400,000 short term mortgage loan to East Campus Realty, LLC, reported as a short term investment.

The Company has provided a guarantee of an affiliate's obligation related to a \$150,000,000 Letter of Credit facility with a third party bank. The affiliate, Omaha Reinsurance Company, reinsures certain term life policies of affiliate, United of Omaha Life Insurance Company. Under the facility, the third party bank will issue Letter of Credits subject to certain conditions to secure the reserve credits taken by United with respect to the reinsurance arrangement. The amount of the Letter of Credit at December 31, 2010 was \$133,100,000.

The Company files a consolidated federal income tax return with its eligible subsidiary companies. Each company's provision for federal income tax expense is based on separate return calculations with credit for net operating losses allowed only as each company would utilize such losses on a separate return basis. Intercompany tax balances are settled within 45 days of the end of each calendar quarter.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in the District of Columbia, all states of the United States, Puerto Rico, the U.S. Virgin Islands and the British Virgin Islands.

The Company's individual accident and health business is sold through three primary distributions: Agency, Brokerage and Direct to Consumers (DTC). Agency is composed of 1,551 independent contractor agents managed by 187 employee field managers. The 33 Division Offices in Agency Sales focus on using a needs-based sales methodology to identify customers' insurance and investment requirements and to provide solutions from the Company's portfolio of products and services. Brokerage distributes a wide range of insurance products through a national network of independent intermediaries. DTC sells and services insurance products that are either guaranteed issue or have simplified underwriting requirements. Customers can purchase policies directly by simply making a phone call, returning an application by mail or through the Internet. In 2009, the Company began administering Medicare Supplement business in an effort to capitalize on a core competency.

The Company's group business is produced through 23 local sales and service offices and seven satellite offices, as well as through company agents and insurance brokers. The Company markets dental, AD&D and disability coverage to commercial markets.

Effective July 1, 2007, the Company sold its group health business in the Nebraska-Iowa markets and FEHB plans covering government employees to Coventry Health Plans, Inc. (Coventry). Group health plans in other markets were non-renewed. Employees, systems, and other assets supporting the business sold were transferred to Coventry as part of the transaction.

During part of the period covered by this examination, the Company had a contractual agreement with the Secretary of the Department of Health and Human Services to participate as a

Part A Medicare Intermediary in administering the Medicare program. Effective November of 2007, the Company closed a transaction with Wisconsin Physicians Service Insurance Corporation (WPS). Under terms of the transaction, the Company divested the Medicare Division, including the related physical assets and employees, to WPS.

Effective July 1, 2010, the Company signed a coinsurance agreement and purchase agreement with HM Life Insurance Company (HM) related to its exit from group TPA stop loss business. Under the terms of the agreement, all policies were reinsured to HM until the policies were non-renewed at their next anniversary date.

The Company's major subsidiary, United of Omaha Life Insurance Company, generally uses the same division offices and personnel, agencies and brokers as the Company.

REINSURANCE

Assumed from Affiliates – Individual and Group Accident and Health

The Company has a reinsurance agreement in force with its affiliate, Companion Life Insurance Company of New York (Companion), effective January 1, 1963. Under this agreement, the Company accepts all liability on new business produced from specified policy forms covering accident and health loss of time policies and franchise major medical and hospitalization policies written by Companion.

Under a 100% quota share agreement effective January 1, 1984, with its affiliate, United World Life Insurance Company (United World), the Company assumes all of United World's premiums and liabilities under individual and group health and accident business scheduled in the contract. The Company assumes all phases of administering the business reinsured. United World receives no ceding commission under the agreement.

Under the terms of a reinsurance agreement effective July 1, 2007, as amended June 1, 2009, the Company agreed to assume 100% of the individual long term care business issued on or after July 1, 2007, by its affiliate, United of Omaha Life Insurance Company (United).

Assumed – Individual Hospital and Medical Expense

The Company reinsures the New York Life Insurance Company (New York Life) for 40% of individual medical expense business written on scheduled policies issued prior to August 21, 1987. The Company administers this business in accordance with terms set out in the agreement.

Aetna Life Insurance and Annuity Company and Aetna Life Insurance Company (Aetna) have collectively ceded to the Company 100% of individual and group health and accident policies issued in the State of New York, effective January 1, 1991. This cession by Aetna also included certain policies issued in states other than New York that met the criteria as specified in the agreement. The respective quota share percentage of the reserves was transferred to the Company. Aetna can recapture this business at any time. The Company administers this business in accordance with terms set out in its agreement. In 2000, ING purchased Aetna's financial services and international business, including the sale of Aetna Life and Annuity Company. The Company is now ING Life Insurance and Annuity Company.

The Company assumed, under an indemnity agreement, 100% of the individual hospital and medical insurance policies in force on January 1, 1991 from The Travelers Insurance Company (The Travelers). In 2006, The Travelers was renamed MetLife Insurance Company of Connecticut. This 100% quota share agreement required an initial consideration to the Company equal to all statutory liabilities and reserves under the assumed policies less 27% of the annualized in force premium. After the transfer of the administration of policies to the Company (July 29, 1991), the expense allowance dropped to 7% of collected premium. Included in this

agreement was the assignment of specified accident and sickness policies that The Travelers had assumed from Knights of Columbus as early as effective June 1, 1967. The reinsurance agreement for the specified accident and sickness policies assumed by the Company from Knights of Columbus terminated effective July 31, 2006. The Company continues to administer the Knights of Columbus block of business in accordance with the administration agreement.

Effective May 12, 1993, the Company entered into a coinsurance agreement with New York Life Insurance Company (New York Life) whereby 90% of certain scheduled Medicare Supplement business issued on or after the effective date of the agreement is assumed. The Company maintains their pro rata of statutory reserves established by New York Life. The Company also entered into a private labeling arrangement whereby certain policy forms developed by the Company were made available to New York Life. New York Life exercised its right to cancel the private labeling portion of the agreement for new business effective September 15, 1997.

The Company entered into a coinsurance agreement with American Heritage Life Insurance Company (American Heritage), effective January 1, 2000, under which it assumes 100% of the liabilities established for American Heritage's long term care business.

The Company entered into an automatic and facultative coinsurance agreement with Western and Southern Life Insurance Company (Western), effective July 1, 2001, for certain critical illness policies and accidental death benefit riders attached to such policies. The Company assumes 50% of the liability for benefits payable under the terms of the policies and riders issued on or after the effective date of this agreement. The reinsurance amount follows the policy amount in its percent share proportion. The maximum liability is \$50,000 under any single policy and \$50,000 under any rider attached to a policy.

The Company entered into a coinsurance agreement, effective January 1, 2007, whereby it assumes 75% of certain Medicare Supplement policies, riders, and binders issued on or after the effective date by Lincoln Heritage Life Insurance Company (Lincoln Heritage). The original agreement was amended on July 13, 2007 to include Medicare Supplement policies, riders and binders issued on and after January 1, 2002 and on or before December 31, 2006.

The Company entered into several coinsurance agreements with various insurance companies, whereby the Company assumes 90%, unless otherwise noted, of certain Medicare Supplement policies. The following is a list of these agreements:

<u>Company</u>	<u>Effective Date</u>
Royal Neighbors of America	January 1, 2006
Sterling Investors Life Insurance Company	January 1, 2006
Admiral Life Insurance Company of America	January 1, 2007
KSKJ Life, American Slovenian Catholic Union	September 1, 2008
Woodmen of the World/Assured Life Association	January 1, 2008
United National Life Insurance Company of America (95%)	December 31, 2008
Family Life Insurance Company (80%)	January 1, 2009
Gerber Life Insurance Company	August 1, 2009
*Family Life Insurance Company (70%)	January 1, 2010
Sentinel Security Life Insurance Company	January 1, 2010
Government Personnel Mutual Life Insurance Company	January 1, 2010
Columbian Mutual Life Insurance Company	January 1, 2010
State Mutual Insurance Company	January 1, 2010
Forethought Life Insurance Company (95%)	October 1, 2010
Heartland National Life Insurance Company (95%)	December 1, 2010
*Family Life Insurance Company (90% on policies with effective dates subsequent to January 1, 2009)	January 1, 2011
*Forethought Life Insurance Company (80%)	April 1, 2011

*amendment to the original agreement

Ceded – Life, Accidental Death and Dismemberment

The Company and its affiliates, United of Omaha Life Insurance Company and Companion Life Insurance Company (the Companies), cede group life and group accidental death and dismemberment business to ING RE (ING), a division of ReliaStar Life Insurance Company, effective October 1, 2007. The Companies retain \$500,000 for life coverage, with ING assuming

\$3,000,000 in excess of the Companies' retention. The Companies retain \$500,000 for accidental death and dismemberment coverage, with ING assuming \$2,000,000 in excess of the Companies' retention. This agreement was novated from ING to RGA Reinsurance Company (RGA), effective September 1, 2010.

Ceded - Disability, Accident and Health

Effective April 1, 1997, the Company entered into a coinsurance reinsurance contract with General Re Life Company (GenRe) covering long term care policies. The agreement cedes 10% up to age 75 and 50% at ages over 75. The agreement terminated for new business effective December 31, 2004.

The Company entered into an automatic and facultative coinsurance agreement with Swiss Re Life and Health America, Inc. (Swiss Re), Security Life of Denver Insurance Company (Security Life), and Employers Reassurance Corporation (Employers) effective on May 1, 1999, August 1, 2001, and July 15, 2001 respectively, for certain critical illness plans classified as individual or worksite. The agreement with Swiss Re terminated to new business effective September 30, 2001. The agreement with Security Life terminated to new business effective December 31, 2004. The agreement with Employers terminated to new business effective December 31, 2005. The Company will retain 70% of the maximum benefit amount per the policy up to its maximum dollar retention limits for individual plans and 60% of the maximum benefit amount per the policy up to its maximum dollar retention for worksite plans.

Effective July 1, 2007, the Company cedes to Munich American Reassurance Company (Munich) group long-term disability business in excess of \$6,000 gross monthly benefit, up to a maximum of \$25,000. Amounts over \$25,000 are retained by the Company.

Effective August 15, 2009, the Company, along with affiliate, United of Omaha Life Insurance Company (United), entered into a 50% quota share reinsurance agreement with Delta

Dental of Arkansas (Delta), covering group dental business. The liability of Delta with respect to its 50% share of claims shall begin simultaneously with that of the Company.

Effective January 1, 2010, the Company entered into an excess of loss agreement with ACE American Insurance Company (ACE), covering group medical stop-loss business issued by the Company after the effective date. The Company retains the first \$2,000,000 for each injury or illness. ACE assumes excess of that amount up to \$3,000,000 in the aggregate incurred within a twelve-month period. Effective July 1, 2010 the policy period was amended to a ten-month period expiring October 1, 2010.

Effective July 1, 2010, the Company, along with affiliate, United of Omaha Life Insurance Company (United), entered into a quota share reinsurance agreement with HM Life Insurance Company (HM), whereby the Company cedes 100% of stop-loss liabilities on a first dollar coinsurance basis. HM will assume all administrative duties and obligations with respect to stop-loss policies beginning January 1, 2011.

General

The Company's reinsurance portfolio contains several agreements for ceding or assuming business that is on a run-off basis. All of the foregoing agreements contained appropriate insolvency clauses and termination provisions providing adequate notice of cancellation, as well as intermediary clauses where necessary. Cessions, with one exception, were placed with authorized reinsurers. The uncovered balance was insignificant.

BODY OF REPORT

GROWTH

The following comparative data, which has been expressed in thousands, reflects the growth of the Company during the period covered by this examination:

(000 Omitted)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Bonds	\$2,286,150	\$2,028,590	\$1,981,442	\$1,988,165
Total admitted assets	4,541,725	4,700,084	4,730,154	5,239,904
Aggregate A&H	1,383,244	1,521,084	1,612,064	1,696,773
Total liabilities	2,324,341	2,601,506	2,492,220	2,659,065
Policyholders surplus	2,217,383	2,098,578	2,237,934	2,580,839
Premium income	1,818,684	1,554,254	1,620,392	1,752,455
Net investment income	151,203	252,499	142,694	130,214
Net income	89,625	152,034	26,034	40,524

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflects the financial condition of the Company at December 31, 2010 and its transactions during the year 2010 as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included. Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

FINANCIAL STATEMENT
December 31, 2010

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,988,164,685		\$1,988,164,685
Preferred stocks	26,155,492		26,155,492
Common stocks	1,821,269,231		1,821,269,231
Mortgage loans	232,709,171		232,709,171
Real estate	38,179,123		38,179,123
Cash, cash equivalents and short-term investments	424,997,344		424,997,344
Other invested assets	233,818,822		233,818,822
Securities lending reinvested	33,783,180		33,783,180
Receivable for securities	<u>1,913,535</u>		<u>1,913,535</u>
Subtotal, cash and invested assets	\$4,800,990,583		\$4,800,990,583
Investment income due and accrued	22,292,178		22,292,178
Uncollected premiums	28,529,324	\$ 82,631	28,446,693
Amounts recoverable from reinsurers	1,493,187		1,493,187
Other amounts receivable under reinsurance	(312,649)		(312,649)
Federal income tax recoverable	38,666,468		38,666,468
Net deferred tax asset	242,713,463	130,924,357	111,789,106
Guaranty funds receivable or on deposit	855,755		855,755
EDP equipment	46,678,237	37,636,248	9,041,989
Furniture and equipment	12,977,913	12,977,913	
Receivable from parent, subsidiary and affiliates	39,399,841		39,399,841
Other amounts receivable	1,965,955	1,965,955	
Life Insurance cash value	172,395,797		172,395,797
Aircraft	12,287,629	12,287,629	
Other miscellaneous assets	54,336,135	39,873,853	14,462,282
State transferable tax credits	382,502		382,502
Other assets nonadmitted	<u>741,887</u>	<u>741,887</u>	
Totals	<u>\$5,476,394,205</u>	<u>\$236,490,473</u>	<u>\$5,239,903,732</u>

Liabilities, Surplus and Other Funds

Aggregate reserve for accident and health contracts	\$1,696,773,231
Accident and health contract claims	280,134,640
Provision for policyholders' dividends	11,079
Premiums received in advance	69,128,698
Other amounts payable on reinsurance	14
Interest maintenance reserve	2,562,237
Commissions to agents due or accrued	993,719
Commissions and expense allowances payable on reinsurance assumed	8,338,218
General expenses due or accrued	102,284,716
Taxes, licenses and fees due or accrued	8,971,309
Current federal and foreign income taxes	30,259,195
Amounts withheld or retained by company	3,895,394
Amounts held for agents' account	65,310,794
Remittances and items not allocated	20,100,103
Liability for benefits for employees and agents if not included above	222,827,451
Borrowed money and interest thereon	5,298,904
Asset valuation reserve	27,146,142
Reinsurance in unauthorized companies	275
Payable to parent, subsidiaries and affiliates	1,166,192
Drafts outstanding	42,025,616
Funds held under coinsurance	24,681
Payable for securities	3,000
Payable for securities lending	33,783,180
Deferred gain on affiliate exchanges	10,525,920
Miscellaneous liabilities	<u>27,500,046</u>
Total liabilities	<u>\$2,659,064,754</u>
Surplus notes	\$ 583,779,197
Increase in admitted DTA	27,671,734
Unassigned funds (surplus)	<u>1,969,388,047</u>
Total surplus	<u>\$2,580,838,978</u>
Total liabilities, surplus and other funds	<u>\$5,239,903,732</u>

SUMMARY OF OPERATIONS - 2010

Premiums and annuity considerations	\$1,752,455,228
Net investment income	130,213,721
Amortization of interest maintenance reserve	705,603
Commissions and expense allowances on reinsurance ceded	1,250,898
Change in accrued life insurance cash value	15,377,686
Other miscellaneous income	<u>21,718,310</u>
 Total	 <u>\$1,921,721,446</u>
 Disability benefits and benefits under accident and health contracts	 \$1,218,983,065
Interest and adjustments on contract or deposit-type contracts	4,270
Increase in aggregate reserves for life and accident and health contracts	<u>89,766,604</u>
 Total	 \$1,308,753,939
 Commissions on premiums, annuity considerations, and deposit type contracts	 76,580,418
Commissions and expense allowances on reinsurance assumed	168,646,335
General insurance expenses	223,496,064
Insurance taxes, licenses and fees	40,392,043
Other deductions	<u>2,408,270</u>
 Total	 <u>\$1,820,277,069</u>
 Net gain from operations before dividends, federal income taxes and net realized capital gains	 \$ 101,444,377
 Dividends to policyholders	 42,170
Federal income taxes incurred	16,982,971
Net realized capital losses	<u>43,895,065</u>
 Net income	 <u>\$ 40,524,171</u>

CAPITAL & SURPLUS ACCOUNT

(000 Omitted)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capital and surplus, beginning	<u>\$2,140,907</u>	<u>\$2,217,383</u>	<u>\$2,098,578</u>	<u>\$2,237,934</u>
Net income	\$ 89,625	\$ 152,034	\$ 26,034	\$ 40,524
Change in net unrealized capital gains (losses)	7,676	(214,520)	63,290	(7,458)
Change in net deferred income tax	169	58,527	5,349	6,803
Change in non-admitted assets	(3,911)	111,922	(828)	(30,055)
Change in liability for reinsurance	226		7	88
Change in asset valuation reserve	(10,846)	27,842	2,304	(14,285)
Change in surplus note	121	121	(2,962)	290,069
Cumulative effect of changes in accounting principles			2,116	
Pension funding adjustment		(257,097)	9,133	10,418
Increase in admitted DTA			19,381	8,291
Income tax benefit	(1,195)	1,847	5,292	35,381
Unrealized loss/gain on affiliate exchanges	(5,385)	510	416	(1,934)
Miscellaneous adjustments	<u>(5)</u>	<u>8</u>	<u>9,823</u>	<u>5,063</u>
Net change for the year	<u>\$ 76,477</u>	<u>\$ (118,806)</u>	<u>\$ 139,356</u>	<u>\$ 342,905</u>
Capital and surplus, ending	<u>\$2,217,383</u>	<u>\$2,098,578</u>	<u>\$2,237,934</u>	<u>\$2,580,839</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$1,969,388,047, as reported in the Company's 2010 Annual Statement, has been accepted for purposes of this report. 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

Investments – Custodial Agreements

During review of the custodial agreements, it was noted that the Company's agreement with FHLBank of Topeka was not in compliance with all of the provisions of Title 210, Chapter 81 of the Nebraska Department of Insurance Rules and Regulations, in particular 003.02(e), 003.02(f), 003.02(g)(i), 003.02(g)(ii), 003.02(h), 003.02(j), and 003.02(o). It is recommended that the Company revise its custodial agreement to include all provisions related to safeguards and controls of securities pursuant to Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81.

Form D Filings

During review of related party activities, it was noted that the Company had three loans in 2010 that exceeded the threshold amount established in Title 210 Chapter 24, which states, "no notice need be given if the maximum amount which can at any time be outstanding or for which the insurer can be legally obligated under the loan, extension of credit or guarantee is less than (b) in the case of life insurer, 3% of the insurer's admitted assets, each as of the 31st day of December next preceding". This issue was discussed with the Company and there was a misunderstanding concerning which party the 3% applied to, the lender or the borrower. The Company has since implemented new Form D filing procedures in 2011 where if the 3% threshold is met by either the borrower or the lender, it will be reported in the Form D filing.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. **Investments – Custodial Agreements** – It is recommended that the Company revise its custodial agreement with the custodian holding securities on its behalf to include all provisions related to safeguards and controls of securities pursuant to Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81.

2. **Form D Filings** – It was noted that subsequent to the examination date, the Company had implemented new Form D filing procedures. It is recommended that the Company file its Form D in compliance with Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 24.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Bob Gardner, CFE, Linda Scholl, CFE, Wade Fleischacker, Elizabeth Hofker, Erin Marsh, Kim Shannon, Emily Turek, Financial Examiners; Gary Evans, CFE, CISA, AES, Information Systems Specialist; and Daniel Eckstein, ASA, CIE, Actuarial Examiner, all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Isaak Russell, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska
Representing Midwestern Zone, NAIC

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 (Mutual)
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 was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

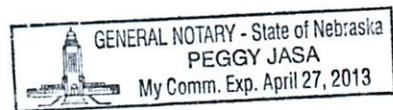
The affiant says nothing further.

Isaak Russell
Examiner-in-Charge's Signature

Subscribed and sworn before me by Isaak Russell on this 5th day of June, 2012.

(SEAL)

Peggy Jasa
Notary Public



My commission expires 4-27-13 [date].

Mutual of Omaha Insurance Company

STATE OF TEXAS)
)
COUNTY OF HARRIS)

The undersigned hereby states under oath that he is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

Robert L. Clarke
Print Name


Signature

7-10-12
Date

Mutual of Omaha Insurance Company

STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

The undersigned hereby states under oath that he is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

W. Gary Gates
Print Name

W. Gary Gates
Signature

7-10-12
Date

Mutual of Omaha Insurance Company

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The undersigned hereby states under oath that he is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

Jeffrey M. Heller
Print Name

Jeffrey M. Heller
Signature

June 30, 2012
Date

Mutual of Omaha Insurance Company

STATE OF New York)
COUNTY OF New York)

The undersigned hereby states under oath that he is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

Derek R. McClain
Print Name


Signature

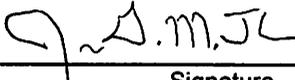
7/10/12
Date

Mutual of Omaha Insurance Company

STATE OF CALIFORNIA)
) ss.
COUNTY OF SANTA BARBARA

The undersigned hereby states under oath that he is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

James G. McFarlane
Print Name


Signature

6/28/12
Date

Mutual of Omaha Insurance Company

STATE OF Iowa)
COUNTY OF Mitchell)^{ss.}

The undersigned hereby states under oath that she is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

Paula R. Meyer
Print Name


Signature

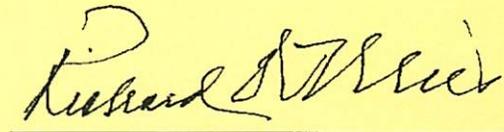
July 4 2012
Date

Mutual of Omaha Insurance Company

STATE OF VIRGINIA)
COUNTY OF FAIRFAX) ss.

The undersigned hereby states under oath that he is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

Richard W. Mies
Print Name


Signature

4 JUL 2012
Date

Mutual of Omaha Insurance Company

STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

The undersigned hereby states under oath that he is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

Daniel P. Neary
Print Name

Daniel P. Neary
Signature

6/30/12
Date

Mutual of Omaha Insurance Company

STATE OF MARYLAND)
) ss.
COUNTY OF TALBOT)

The undersigned hereby states under oath that he is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

Anthony J. Principi
Print Name


Signature

7/12/12
Date

Mutual of Omaha Insurance Company

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

The undersigned hereby states under oath that she is a duly appointed and qualified member of the Board of Directors of Mutual of Omaha Insurance Company and has received a copy of the Report of Examination of Financial Condition as of December 31, 2010, conducted by the State of Nebraska, representing the Midwestern Zone, NAIC and which was dated and placed on file as of June 4, 2012.

Mary P. McCarthy
Print Name


Signature

6-29-12
Date