Report

of the

Examination of

The Omaha Indemnity Company

Omaha, Nebraska

As of December 31, 2015

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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April 27, 2017

Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

THE OMAHA INDEMNITY COMPANY
Omaha, Nebraska

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of The Omaha Indemnity Company (Omaha Indemnity, OIC or the company) was conducted in 2012 and 2013 as of December 31, 2011. The current examination covered the intervening period ending December 31, 2015, and included a review of such 2016 and 2017 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the “Financial Data” section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination. Examiners also reviewed and used where appropriate the results of the State of Nebraska Department of Insurance examination of the Mutual of Omaha Insurance Company (Mutual of Omaha) and subsidiaries as of December 31, 2014, completed in 2016.

II. HISTORY AND PLAN OF OPERATION

The Omaha Indemnity Company was incorporated on January 20, 1956, under the laws of the state of Wisconsin as The Equitable Casualty Company. On February 7, 1967, the articles of incorporation were amended and restated in connection with a transfer of ownership to Mutual of Omaha. The present name of the company was adopted on October 30, 1967.

In 1983, Mutual of Omaha transferred direct ownership of Omaha Indemnity to a wholly owned intermediate holding company subsidiary, Regency of Omaha, Inc. In 1986, Mutual of Omaha's direct interest was restored through dissolution of the intermediate holding company.

During the early to mid-1980s, the company entered into contracts with managing general agents (MGAs) to manage a book of excess and surplus lines insurance and reinsurance business. The company began to notice some inconsistencies in reporting by the MGAs in mid-1985 and shortly thereafter instructed them to send out cancellation notices to policies renewing on January 1, 1986. The company discovered that a large amount of premium collected by the MGAs was not reported to Omaha Indemnity, and that the MGAs had retroceded premiums to undercapitalized reinsurers on Omaha Indemnity's behalf.

The company reported a surplus deficit of $39.5 million on its 1985 annual statement due to a $75.6 million increase in the change in liability for unauthorized reinsurance, an increase in nonadmitted assets of $8.5 million and a net loss of $4.3 million. The effects of these items were partially offset by a $30 million surplus note. Due to this situation, this office placed an order on the company dated March 19, 1986, which imposed financial and operational requirements.

The company's principal business activity since 1986 has consisted of the run-off of the assumed reinsurance contracts produced by the MGAs. Since 1986, Mutual of Omaha has contributed approximately $230 million to Omaha Indemnity to maintain adequate surplus. A number of disputes have been resolved by litigation and arbitration. The company has negotiated commutations of many of the assumed contracts. The company is investigating the remaining claims asserted by ceding companies on other disputed contracts. Although the number of disputed contracts has been reduced significantly, the company continues to incur legal costs, and other investigative expenses, to reduce liabilities and to seek recovery of damages. Recent experience has been favorable, evidenced by the fact that no parental contributions have been made since 1991. Over the past five years, an extraordinary dividend of $3 million was paid in 2013. At the examination date, management did not foresee any necessity for further parental contributions.

On March 22, 2005, Mutual of Omaha sold the outstanding capital stock of Omaha Property and Casualty Insurance Company (OPAC) to Beazley Holdings, Inc. Under the terms of the sale Omaha Indemnity entered into a 100% reinsurance agreement with OPAC whereby Omaha Indemnity assumed all of OPAC's existing business. According to the company, all OPAC business has run off and there are no open claims.

The company has no employees. All operations are conducted by employees of Mutual of Omaha. Tax allocations are established in accordance with a written agreement effective January 1, 1985. Intercompany balances with affiliates are created in the ordinary course of business with settlements generally made on a monthly basis. Written agreements with affiliates are further described in the section of this report titled "Affiliated Companies."

As of the examination date, the company was licensed in 29 states, as listed below.

Alaska	Arizona	California	Colorado
Delaware	Georgia	Hawaii	Indiana
Louisiana	Michigan	Minnesota	Mississippi
Missouri	Nebraska	Nevada	New Jersey
New York	North Dakota	Ohio	Oklahoma
Oregon	Rhode Island	South Carolina	South Dakota
Tennessee	Texas	Utah	Washington
Wisconsin			

In the state of Wisconsin, the company is licensed to transact all lines of property and casualty insurance as defined by s. Ins 6.75 (2), Wis. Adm. Code, except for title, mortgage guaranty, legal expense, credit unemployment, and aircraft insurance.

The company does not write business on a direct basis. As previously noted, the company has been in run-off since 1986. The company had no premium income in 2015.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of seven members. All directors are elected annually by Mutual of Omaha Insurance Company, the sole shareholder, to serve a one-year term. Officers are elected at the board's annual organizational meeting. Members of the company's board of directors may also be members of other boards of directors for companies in the holding company system. At the time of this examination, all of the directors were employees of Mutual of Omaha. Directors receive no compensation specific to their service on the board.

Currently the board of directors consisted of the following persons:

Name and Residence	Principal Occupation	Term Expiry
Richard C. Anderl Omaha, Nebraska	Secretary, The Omaha Indemnity Company Executive Vice President and General Counsel Mutual of Omaha Insurance Company	2018
Mark R. Boetel Omaha, Nebraska	President, The Omaha Indemnity Company and Director of Reinsurance Services, Mutual of Omaha Insurance Company	2018
Curtis R. Caldwell Omaha, Nebraska	Senior Vice President, Investments Mutual of Omaha Insurance Company	2018
David A. Diamond Omaha, Nebraska	Executive Vice President, Chief Financial Officer and Treasurer Mutual of Omaha Insurance Company	2018
Lance D. Grigsby Omaha, Nebraska	Senior Vice President and Chief Actuary Mutual of Omaha Insurance Company	2018
Dee A. Henry Louisville, Nebraska	Treasurer, The Omaha Indemnity Company and Senior Vice President, Corporate Accounting Mutual of Omaha Insurance Company	2018
Stacy A. Scholtz Omaha, Nebraska	Executive Vice President, Corporate Operations Mutual of Omaha Insurance Company	2018

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	Compensation
Mark R. Boetel	President	$34,152
Richard C. Anderl	Secretary	0
Dee A. Henry	Treasurer	0

None of the above officers are employed directly by the company. These individuals provide services to various entities within the holding company system controlled by Mutual of Omaha. Only a portion of their overall compensation was allocated to the company.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. At the present time, there were no committees of the board of directors.

IV. AFFILIATED COMPANIES

The Omaha Indemnity Company is a member of a holding company system led by Mutual of Omaha. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart.

Mutual of Omaha's Affiliates as of December 31, 2015

(Subsidiaries are indicated by indentations; all subsidiaries are wholly owned, unless otherwise indicated.)

Company	**Insurer**	**Domiciled**
Mutual of Omaha Insurance Company	Yes	Nebraska
East Campus Realty, LLC	No	
Mutual of Omaha Holdings, Inc.	No	
Mutual of Omaha Investor Services, Inc.	No	
Mutual of Omaha Marketing Corporation	No	
Omaha Insurance Company	Yes	Nebraska
Omaha Financial Holdings, Inc.	No	
Mutual of Omaha Bank	No	
CondoCerts.com, Inc.	No	
Mutual Community Development Co.	No	
Mutual of Omaha LoanPro, LLC	No	
The Omaha Indemnity Company	**Yes**	**Wisconsin**
Turner Park North, LLC	No	
United of Omaha Life Insurance Company	Yes	Nebraska
Companion Life Insurance Co.	Yes	New York
Fulcrum Growth Partners, LLC (80%)	No	
Marketsphere Consulting, LLC (53.1%)	No	
EMMsphere, LLC (52.6%)	No	
MDR, LLC (57.14%)	No	
Unclaimed Property, LLC	No	
Fulcrum Growth Partners III, LLC (80%)	No	
Mutual of Omaha Structured Settlement Company	No	
Omaha Life Insurance Company	Yes	Nebraska
Omaha Reinsurance Company	Yes	Nebraska
UM Holdings, LLC	No	
United World Life Insurance Company	Yes	Nebraska
Mutual of Omaha Foundation	No	

Mutual of Omaha Insurance Company

Mutual of Omaha, a Nebraska-domiciled life and health insurer with headquarters in Omaha, Nebraska, was incorporated on March 5, 1909, and commenced business on January 10, 1910. Originally incorporated on the mutual assessment plan under the title Mutual Benefit Health & Accident Association, Mutual of Omaha Insurance Company changed its corporate structure in 1962 to a mutual legal reserve basis and the present title was adopted. Mutual of Omaha is licensed in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and the British Virgin Islands. Mutual of Omaha and its subsidiaries market an array of life insurance, Medicare supplement, long-term care, annuities, and other health products throughout its territory.

The 2015 annual statement of Mutual of Omaha reported net admitted assets of $6,945,097,641, total liabilities of $4,082,327,309, policyholders' surplus of $2,862,770,332 and net income of $11,177,807. An examination of Mutual of Omaha and its Nebraska-domiciled subsidiaries as of December 31, 2014, by the Nebraska Department of Insurance was completed in 2016.

Agreements with Affiliates

As previously noted, the company has no employees of its own. The business of the company is conducted by employees of Mutual of Omaha in accordance with business practices and internal controls established by those affiliate companies. In addition to common staffing and management control, OIC's relationship to its affiliates is affected by various written agreements. Reinsurance agreements are described in the "Reinsurance" section of this report. The other agreements with affiliates are briefly described as follows:

Beginning with the year ended December 31, 1985, Mutual of Omaha filed a consolidated federal income tax return which included Mutual of Omaha and its eligible subsidiaries. Effective January 1, 2014, the company entered into an Amended and Restated Agreement for Federal Income Tax Allocation by and among Mutual of Omaha and each of its affiliated companies eligible to join in a consolidated income tax return with Mutual of Omaha, including OIC. Under this agreement, Mutual of Omaha allocates tax expenses and refunds to each party, with limited exceptions, on a separate-return basis. All settlements and adjustments of payments and refunds are to be made within 15 days after the applicable consolidated income tax form is filed. Each party has the right to inspect such records in the possession of the other parties as may be pertinent to their own federal income tax calculations. This agreement is governed under Nebraska law.

There is a Revolving Credit Note dated June 22, 2015, between the company and Mutual of Omaha, in the principal sum of $3,000,000. No collateral shall be given to secure the borrower’s obligations. Any interest accrued under this agreement is to be paid within 15 business days of the end of each month. Interest shall be at a rate agreed between the borrower and the lender provided, however, that in no event will the interest rate be less than the rate the Federal Home Loan Bank of Topeka pays on its overnight deposits or the daily Federal Funds Rate, or greater than the daily Federal Funds Rate plus 20 basis points. This agreement is to be construed and enforced in accordance with the laws of the state of Nebraska.

Effective May 20, 2016, the company, together with other named affiliates of Mutual of Omaha, entered into an Amended and Restated Intercompany Services Agreement with Mutual of Omaha. Under this agreement, the parties have agreed that certain services of specialists, professionals and skilled experienced administrators, and equipment as needed, will be made available to each other. The agreement relates to the provision of essentially all services required for the operation of the company. Expenses are to be allocated only for those services actually rendered, on a fair and reasonable basis, resulting in overall equity to the parties. Expenses payable under this agreement shall be reported no later than the fifteenth day of the month following the month in which the expenses were incurred, with settlement of balances due within fifteen days of the date of such report. Any party to this agreement may terminate its participation in the agreement with 90 days’ written notice to the other parties. This agreement is governed under Nebraska law.

V. REINSURANCE

The company's reinsurance portfolio is described below. The contracts contained proper insolvency provisions.

Losses are still ceded quarterly to viable reinsurers from the run-off of 1982 and 1984 quota share contracts covering exposure from the oil jobbers' program.

Ceded Oil Jobbers' Reinsurance Contracts

Reinsurers:	Various insurance companies
Effective date:	December 1, 1981, continuous
Termination provisions:	By mutual consent, or by either party giving to the other party not less than 60 days' notice, stating January 1st which shall be the termination date

The coverage provided under this treaty is summarized as follows:

Type of contract:	Quota Share Reinsurance
Lines reinsured:	Business included in the petroleum products insurance policy issued by Frank B. Hall – Stockton
Ceding company retention:	2.5% to 32.75% depending on contract year
Coverage:	$1,000,000 per occurrence on property and casualty lines of business, $250,000 per risk on crime

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2015, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

The Omaha Indemnity Company
Assets
As of December 31, 2015

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$12,798,425	$308,798	$12,489,627
Cash, cash equivalents, and short-term investments	1,740,104		1,740,104
Receivables for securities	344		344
Investment income due and accrued	140,228		140,228
Reinsurance:			
Amounts recoverable from reinsurers	12,604		12,604
Net deferred tax asset	202,933	141,448	61,485
Total Assets	$14,894,637	$450,246	$14,444,392

Liabilities, Surplus, and Other Funds
As of December 31, 2015

Losses		$ 1,365,753
Loss adjustment expenses		603,363
Other expenses (excluding taxes, licenses, and fees)		86,350
Current federal and foreign income taxes		25,875
Amounts withheld or retained by company for account of others		77
Payable to parent, subsidiaries, and affiliates		12,943
Total liabilities		2,094,362
Common capital stock	$ 4,000,000	
Gross paid in and contributed surplus	227,617,212	
Unassigned funds (surplus)	(219,267,182)	
Surplus as regards policyholders		12,350,030
Total Liabilities and Surplus		$14,444,392

The Omaha Indemnity Company
Summary of Operations
For the Year 2015

Underwriting Income		
Premiums earned		$
Deductions:		
Losses incurred	$ (7,356)	
Loss adjustment expenses incurred	21,403	
Other underwriting expenses incurred	307,947	
Total underwriting deductions		321,994
Net underwriting gain (loss)		(321,994)
Investment Income		
Net investment income earned	535,601	
Net investment gain (loss)		535,601
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		213,607
Federal and foreign income taxes incurred		77,586
Net Income		$136,021

The Omaha Indemnity Company
Cash Flow
For the Year 2015

Premiums collected net of reinsurance			$
Net investment income			631,022
Total			631,022
Benefit- and loss-related payments		$ 26,991	
Commissions, expenses paid, and aggregate write-ins for deductions		326,389	
Federal and foreign income taxes paid (recovered)		73,491	
Total deductions			426,871
Net cash from operations			204,151
Proceeds from investments sold, matured, or repaid:			
Bonds	$1,778,284		
Total investment proceeds		1,778,284	
Cost of investments acquired (long-term only):			
Bonds	1,029,976		
Miscellaneous applications	340		
Total investments acquired		1,030,316	
Net cash from investments			747,969
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		(1,993)	
Net cash from financing and miscellaneous sources			(1,993)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			950,127
Cash, cash equivalents, and short-term investments:			
Beginning of year			789,976
End of Year			$1,740,104

The Omaha Indemnity Company
Compulsory and Security Surplus Calculation
December 31, 2015

Assets		$14,444,392
Less security surplus of insurance subsidiaries		
Less liabilities		2,094,362
Examination adjustment*		308,798
Adjusted surplus		12,658,828
Annual premium:		
Lines other than accident and health	$ 0	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		2,000,000
Compulsory Surplus Excess (or Deficit)		$10,658,828
Adjusted surplus (from above)		$12,658,828
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)		2,800,000
Security Surplus Excess (or Deficit)		$ 9,858,828

* This consists of the adjustment of the examination report as shown, respectively, in the summary of current examination results under the caption “Bonds” and in the “Reconciliation of Policyholders’ Surplus.” Accordingly, the compulsory and security surplus excesses reflected in this schedule differ from the figures reported by the company in its supplementary filing with the 2015 annual statement.

The Omaha Indemnity Company
Analysis of Surplus
For the Four-Year Period Ending December 31, 2015

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2015	2014	2013	2012
Surplus, beginning of year	$12,502,160	$12,408,344	$14,749,992	$14,097,867
Net income	136,021	132,324	598,061	720,486
Change in net unrealized capital gains/losses	14,201	(22,531)		
Change in net deferred income tax	109,191	6,248	(35,340)	(868,036)
Change in nonadmitted assets	(411,544)	(22,225)	13,587	915,430
Change in provision for reinsurance			82,044	(82,044)
Dividends to stockholders			(3,000,000)	
Write-ins for gains and (losses) in surplus: Other tax adjustments				(33,711)
Surplus, End of Year	$12,350,030	$12,502,160	$12,408,344	$14,749,992

The Omaha Indemnity Company
Insurance Regulatory Information System
For the Four-Year Period Ending December 31, 2015

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2015	2014	2013	2012
#1	Gross Premium to Surplus	0%	0%	0%	0%
#2	Net Premium to Surplus	0	0	0	0
#3	Change in Net Premiums Written	0	0	0	0
#4	Surplus Aid to Surplus	0	0	0	0
#5	Two-Year Overall Operating Ratio	0	0	0	0
#6	Investment Yield	3.8	3.8	3.9	4.1
#7	Gross Change in Surplus	(1)	1	(16)*	5
#8	Change in Adjusted Surplus	(1)	1	(16)*	5
#9	Liabilities to Liquid Assets	15	15	15	16
#10	Agents' Balances to Surplus	0	0	0	0
#11	One-Year Reserve Development to Surplus	0	1	(3)	(5)
#12	Two-Year Reserve Development to Surplus	1	(3)	(8)	(6)
#13	Estimated Current Reserve Deficiency to Surplus	0	0	0	0

The exceptional results for Ratio No. 7, Gross Change in Policyholders' Surplus, and Ratio No. 8, Net Change in Policyholders' Surplus, for 2013 were due to a $3,000,000 extraordinary dividend of $3,000,000 that was properly reported to, and non-disapproved by, this office.

Financial Experience of The Omaha Indemnity Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2015	$14,444,392	$2,094,362	$12,350,030	$136,021
2014	14,618,199	2,116,039	12,502,160	132,324
2013	14,563,502	2,155,158	12,408,344	598,061
2012	17,569,597	2,819,605	14,749,992	720,486
2011	17,676,627	3,578,760	14,097,867	425,577

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2015	$0	$0	$0	-	-	-
2014	0	0	0	-	-	-
2013	0	0	0	-	-	-
2012	0	0	0	-	-	-
2011	0	0	0	-	-	-

The preceding financial information does not lend itself to traditional analysis due to the run-off of the assumed reinsurance contracts produced by the MGAs and the run-off of the loss reserves assumed from OPAC. The company has not received any premium income since 2006, so the calculation of loss and expense ratios is not meaningful. Expenses include litigation costs in defending claims related to the managing general agent and oil jobber books of business. Due to the successful run-off of business, the company has not received any surplus contributions from Mutual of Omaha since 1991. The $3 million extraordinary dividend paid in 2013 resulted in a decline in surplus in that year. The company has chosen to declare an extraordinary dividend when surplus reaches a significant level above $13 million and intends to continue to do so.

Reconciliation of Surplus per Examination

The following schedule is a reconciliation of surplus as regards policyholders between that reported by the company and as determined by this examination. Changes shown on this page are discussed in the "Summary of Examination Results" section of this report.

Surplus December 31, 2015, per annual statement			$12,350,030
	Increase	**Decrease**	
Bonds	$308,798	$0	
Net increase or (decrease)	$308,798	$0	308,798
Surplus December 31, 2015, per Examination			$12,658,828

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Bonds

The company reported $308,798 of bonds as nonadmitted in the 2015 annual statement due to the investment limitations of s. 620.22 (9), Wis. Stat. However, the limitations under s. 620.22, Wis. Stat., are applicable to the calculation of Wisconsin's compulsory and security surplus, not for determining the admissibility of assets on statutory financial statements. This resulted in bonds being underreported by $308,798. It was further determined that the company was not in excess of applicable Wisconsin investment limitations and that the company's bonds should have been included under s. 620.22 (1), Wis. Stat., which would have resulted in no investment adjustments for purposes of computing compulsory and security surplus. Therefore, the company's calculation of the compulsory and security surplus excesses was understated by $308,798.

Fidelity Insurance

The examination conducted a review of the company's corporate insurance and fidelity coverage. Fidelity bonds are used to provide coverage to the company for loss due to dishonest acts of bonded employees. The company provided a copy of a Financial Institution Bond in the name of Mutual of Omaha Insurance Company to demonstrate the existence of this type of coverage. It was determined that the policy does not include coverage for subsidiaries such as OIC. The company provided a copy of the application completed for the coverage in which coverage was requested for "Mutual of Omaha Insurance Company, et al." The company feels that the application forms the basis of the insurance contract. It is best practice for all insurance policies to specify in the policy all named insureds, in order to avoid coverage disputes in the event of a claim. Since the company is not a named insured in the policy, assets lost by the company due to dishonest employees may not be covered. It is recommended that the company ensure that they are a named insured on any insurance policies which are intended to provide coverage for the company. It is further recommended that the company ensure sufficient fidelity insurance coverage in accordance with the Financial Condition Examiners Handbook.

VIII. CONCLUSION

The company is a direct wholly owned subsidiary of Mutual of Omaha, its ultimate controlling person. Policyholders' surplus decreased from $14,097,867 as of year-end 2011 to $12,658,828 as of year-end 2015, as indicated by this examination; a decrease of 10.2% during the period under examination. The following schedule summarizes the cumulative increases and decreases to surplus from December 31, 2011, when policyholders' surplus was last verified by examination, to December 31, 2015:

Policyholders' surplus, December 31, 2011	$14,097,867
Dividends to stockholders	(3,000,000)
Net income/(loss)	1,586,892
Change in net deferred income tax	(787,937)
Change in nonadmitted assets	495,248
Financial examination adjustment as of December 31, 2015	308,798
Other tax adjustments	(33,711)
Change in net unrealized capital gains/(losses)	(8,330)
Policyholders' Surplus, December 31, 2015	$12,658,828

The company is primarily engaged in a run-off of the assumed reinsurance contracts produced by managing general agencies prior to January 1, 1986, and the loss reserves assumed from its former affiliate Omaha Property and Casualty Insurance Company. The company has not received any premium income since 2006, so the calculation of loss and expense ratios is not meaningful. Expenses include litigation costs in defending claims related to the managing general agent and oil jobber books of business and general administrative-related expenses. Due to the successful run-off of business, the company has not received any surplus contributions from Mutual of Omaha since 1991. The $3 million extraordinary dividend paid in 2013 resulted in a decline in surplus in that year. The company has chosen to declare an extraordinary dividend when surplus reaches a significant level above $13 million and intends to continue to do so.

The examination determined that policyholders' surplus was underreported by $308,798 due to the underreporting of bonds held by the company. The examination determined that as of December 31, 2015, the company should have reported admitted assets of $14,753,190, liabilities of $2,094,362, and policyholders' surplus of $12,658,828.

The examination did identify some concerns regarding fidelity insurance coverage as discussed in the “Summary of Current Examination Results.”

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 20 - Fidelity Insurance—It is recommended that the company ensure that they are a named insured on any insurance policies which are intended to provide coverage for the company.

2. Page 21 - Fidelity Insurance—It is further recommended that the company ensure sufficient fidelity insurance coverage in accordance with the Financial Condition Examiners Handbook.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	**Title**
Junji Nartatez	Insurance Financial Examiner
Karl Albert	Insurance Financial Examiner-Advanced, Exam Planning & Quality Control Specialist
David Jensen	Insurance Financial Examiner-Advanced, Information Systems Audit Specialist
Jerry DeArmond	Insurance Financial Examiner-Advanced, Loss Reserve Specialist

Respectfully submitted,

Stephanie Falck, CFE
Examiner-in-Charge