Report

of the

Examination of

The Omaha Indemnity Company

Madison, Wisconsin

As of December 31, 2011

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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March 13, 2013

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
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of The Omaha Indemnity Company (Omaha Indemnity or the company) was conducted in 2007 as of December 31, 2006. The current examination covered the intervening period ending December 31, 2011, and included a review of such 2012 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management’s compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

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 and subsidiaries as of December 31, 2010, completed in 2012.

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 Insurance Company (hereinafter also 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 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 offset by a $30 million surplus note. Due to this situation, the Wisconsin Commissioner of Insurance 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 in the company. 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 liabilities 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 sufficiently favorable evidenced by the fact that no parental contributions have been made since 1991. Over the past five years, extraordinary dividends of $10 million were paid to Mutual of Omaha in 2006, and $3 million were paid in 2008 and 2010. 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. Omaha Indemnity is administering the run-off of the existing OPAC business.

The company has no employees. All operations are conducted by employees of Mutual of Omaha Insurance Company. 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			

There were no license applications pending. The company has been withdrawing licenses from states where they no longer have ongoing business

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 mode since 1986. The company had no premium income in 2011.

The growth of the company is discussed in the "Financial Data" section of this report.

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. Members of the company's board of directors may also be members of other board of directors for companies in the holding company system. At the time of the examination, all of the directors were employees of Mutual of Omaha Insurance Company.

As noted in the previous examination, the board of directors receives no compensation for service on the board as they were all employees within the corporation and the meetings were held during business hours.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Mark R. Boetel Omaha, NE	President, The Omaha Indemnity Company Director of Reinsurance Services Mutual of Omaha Insurance Company	2012
David A. Diamond Omaha, NE	Executive Vice President, CFO, Treasurer Mutual of Omaha Insurance Company	2012
Richard C. Anderl Omaha, NE	Executive Vice President (Law Div.) & General Counsel Mutual of Omaha Insurance Company	2012
Richard A. Witt Omaha, NE	Executive Vice President & Chief Investment Officer Mutual of Omaha Insurance Company	2012
Dee A. Henry Omaha, NE	Treasurer, The Omaha Indemnity Company Senior Vice President (Corporate Accounting) Mutual of Omaha Insurance Company	2012
Paul D. Ochsner Omaha, NE	Senior Vice President & Corp. Chief Actuary Mutual of Omaha Insurance Company	2012
Stacy A. Scholtz Omaha, NE	Executive Vice President (Corporate Operations) Mutual of Omaha Insurance Company	2012

Officers of the Company

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

Name	Office	2011 Compensation
Mark R. Boetel	President	$30,778
Dee A. Henry	Treasurer	0
Michael E. Huss	Corporate Secretary	0

The officers cited above are not directly employed by the company, but all are employees of Mutual of Omaha. All the individuals mentioned above provide services for various entities within the holding company structure, which is ultimately controlled by Mutual of Omaha Insurance Company. A portion of their overall compensation is allocated to the company as an expense through an intercompany service agreement with Mutual of Omaha Insurance Company. The compensation listed above is the allocation to Omaha Indemnity.

Committees of the Board

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 controlled by Mutual of Omaha Insurance Company. In addition to The Omaha Indemnity Company, Mutual of Omaha Insurance Company has 28 subsidiaries, including 7 insurers and 21 noninsurance entities. The holding company system members are presented in the chart below.

Mutual of Omaha's Affiliates as of December 31, 2011

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

Company	**Insurer**	**Domiciled**
Mutual of Omaha Insurance Company	Yes	NE
Continuum Worldwide Corporation	No	
East Campus Realty, LLC	No	
Mutual of Omaha Holdings, Inc.	No	
EB Gateway, Inc.	No	
Mutual of Omaha Investor Services, Inc.	No	
Mutual of Omaha Marketing Corporation	No	
Omaha Insurance Company	Yes	NE
Retirement Marketing Solutions, Inc.	No	
Omaha Financial Holdings, Inc.	No	
Mutual of Omaha Bank	No	
CondoCerts.com, Inc.	No	
Mutual Asset Holdings, LLC	No	
Mutual Community Development Co.	No	
Mutual of Omaha LoanPro, LLC	No	
The Omaha Indemnity Company	**Yes**	**WI**
United of Omaha Life Insurance Company	Yes	NE
Companion Life Insurance Co.	Yes	NY
Fulcrum Growth Partners, LLC (80%)	No	
Fulcrum Growth Partners III, LLC (80%)	No	
Mutual of Omaha Structured Settlement Co.	No	
Omaha Life Insurance Company	Yes	NE
Omaha Reinsurance Company	Yes	NE
UM Holdings, LLC	No	
UM Holdings II, LLC	No	
UM Holdings III, LLC	No.	
UM Holdings IV, LLC	No	
United World Life Insurance Company	Yes	NE
Mutual of Omaha Foundation	No	

Mutual of Omaha Insurance Company

Mutual of Omaha Insurance Company, 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 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, and the U.S. Virgin Islands. Mutual of Omaha and its subsidiaries market an array of life insurance, Medicare supplement, long-term care, annuities, critical illness and disability products throughout its territory.

Effective March 22, 2005, Mutual of Omaha sold the corporate shell and licenses of its subsidiary, Omaha Property and Casualty Insurance Company, to Beazley Holdings, Inc., for $20,505,589. In connection with the stock sale of OPAC, several agreements resulted between Mutual of Omaha and Omaha Indemnity, as well as Mutual of Omaha and Beazley Holdings, Inc. OPAC's non-investment net fixed assets were sold to Mutual of Omaha for $163,004, and the net non-fixed non-investment assets were sold to Omaha Indemnity (please refer to "Agreements with Non-affiliates" section of this report) for $3,698,435. This stock sale also included the sale of Adjustment Services, Inc. (hereinafter also ASI) to Mutual of Omaha Holdings Inc. for $203,094. With the OPAC and ASI sales being completed in March of 2005, Omaha Indemnity's shared-services agreement with OPAC was terminated and the claims service agreement with ASI expired in December of 2006.

The 2011 annual statement of Mutual of Omaha Insurance Company reported net admitted assets of $5,247,438,983, total liabilities of $2,932,563,792, policyholders' surplus of $2,314,875,191 and net income of $33,030,351. Mutual of Omaha received a $3,000,000 dividend in 2008 and 2010 from Omaha Indemnity. An examination of Mutual of Omaha Insurance Company and its Nebraska-domiciled subsidiaries as of December 31, 2010, by the Nebraska Department of Insurance was completed in 2012.

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, Omaha Indemnity'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:

Effective January 1, 1985, the company entered into an agreement for federal income tax allocation. Under this agreement, Mutual of Omaha allocates tax expenses and refunds to each party on a separate-return basis. All settlements and adjustments of payments and refunds are to be made within 45 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 has been amended several times, primarily to add or release members of the holding company system.

Effective January 1, 1997, the Omaha Indemnity Company entered into an Intercompany Service Agreement with Mutual of Omaha. Under this agreement, the parties have agreed that certain services of specialists, professionals and skilled experienced administrators will be made available to each other. The agreement relates to the provision of essentially all services required for the operation of Omaha Indemnity. Among other principles and criteria of allocation is the rule that no party is to benefit at the expense of the others and that any profit or expense resulting from intercompany transactions should be shared equitably. Any party may withdraw from its participation in the agreement with 90 days' written notice to the other parties.

As noted earlier, on March 22, 2005, the company's parent, Mutual of Omaha Insurance Company, sold the issued and outstanding capital stock of Mutual of Omaha's affiliate, 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 unearned premium and loss reserves related to OPAC's existing business. OPAC transferred assets to the company sufficient to cover the liabilities transferred. Omaha Indemnity is administering the run-off of OPAC's existing business under the terms of an administrative service agreement between the company and OPAC.

Agreements with Non-affiliates

Effective January 1, 2005, the Omaha Indemnity Company entered into a Service Agreement with Omaha Property and Casualty Insurance Company and Fidelity National Insurance Company (FNIC) and Fidelity National Insurance Services, Inc. (FNIS). FNIC and FNIS are known collectively as FNI. Omaha Indemnity entered into a reinsurance agreement with OPAC covering OPAC's direct property and casualty business. The FNI agreement provides for claims handling related to this business by FNI and provides accounting and other support services. Any party may terminate this agreement upon 60 days' advance written notice to the other party.

Effective March 22, 2005, Omaha Indemnity and OPAC entered into an administrative services agreement pursuant to which Omaha Indemnity will administer all aspects of the reinsured contracts and reinsured liabilities under the reinsurance agreement. This agreement may be terminated at any time upon the mutual written consent of the parties.

V. REINSURANCE

The company's reinsurance portfolio and strategy is described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. 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.

Assumed Reinsurance Contract

Name of reinsured:	Omaha Property and Casualty Company (OPAC)
Effective date:	March 22, 2005
Termination provisions:	By mutual consent, or at the option of the Cedent (OPAC), upon the issuance of an order of liquidation or rehabilitation against reinsurer; provided, however, that in the event an order of liquidation or rehabilitation is issued against reinsurer, before Cedent may terminate this reinsurance agreement, reinsurer shall have an opportunity to contest or appeal such order for a period of 60 days from the date of issuance

The coverage provided under this treaty is summarized as follows:

Type of contract:	100% Quota Share Reinsurance
Lines reinsured:	All of the reinsured liabilities
Coverage:	100% of the reinsured liabilities which includes all of the gross liabilities and obligations arising out the reinsured contracts
Cedent obligations:	Cedent agrees to pay reinsurer 100% of the following: a) premiums and other receivables; b) litigation and claim recoveries from third parties; c) any and all reinsurance recoveries and other recoveries from third parties; d) any tax refunds or tax credits; and e) any refunds relating to guaranty association, fair plan or joint underwriting association assessments or similar refunds.
Reinsurer's obligations:	Reinsurer agrees to pay on behalf of Cedent the following: a) all premium, surplus lines, unauthorized insurance or other taxes; b) all guaranty fund or other residual market assessments; c) any and all taxes imposed in connection with the performance of the obligations pursuant to the reinsurance agreement, the administrative services agreement, the trust agreement or reinsured Contracts or reinsured liabilities;

d) any amounts paid or payable under third-party reinsurance agreements;
e) any agent, broker or producer compensation and commissions arising from the reinsured contracts or reinsured liabilities; and
f) any and all other amounts paid or payable relating to the reinsured contracts or the reinsured liabilities.

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

Ceded Auto Dealers Reinsurance Contracts

Reinsurers:	Various insurance companies
Effective date:	April 1, 1980, continuous; replaced effective July 1, 1981, continuous
Termination provisions:	In original term, by mutual consent, or by either party giving to the other party not less than 60 days' notice, to take effect as of July 1, 1981, or the first day of any calendar quarter thereafter At replacement term, by mutual consent, or by either party giving to the other party not less than 60 days' notice, to take effect as of July 1, 1982, or any July 1 thereafter

The coverage provided under this treaty is summarized as follows:

Type of contract:	Quota Share Reinsurance
Lines reinsured:	Business covering franchised new automobile dealer business, franchised new truck dealer business, franchised new motorcycle dealer business, and franchised new recreational vehicle dealer business written by Frank B. Hall – Stockton
Ceding company retention:	2.5%

Coverage:	In original term, casualty - $500,000 any one loss occurrence; property and physical damage - $5,000,000 any one risk, any one loss; crime - $250,000 any one risk, any one loss At replacement term, casualty - $500,000 any one loss occurrence; property and physical damage - $5,000,000 any one risk, any one loss; crime - $500,000 any one risk, any one loss

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, 2011, annual statement. 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. 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."

Omaha Indemnity Company
Assets
As of December 31, 2011

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$17,014,051	$ 0	$17,014,051
Cash, cash equivalents, and short-term investments	190,229	0	190,229
Receivables for securities	28	0	28
Investment income due and accrued	229,576	0	229,576
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	5,793	5,793	0
Reinsurance:			
Amounts recoverable from reinsurers	158,179	0	158,179
Net deferred tax asset	986,385	905,990	80,395
Write-ins for other than invested assets:			
Other receivable	4,170	0	4,170
Total Assets	$18,588,410	$911,783	$17,676,627

Liabilities, Surplus, and Other Funds
As of December 31, 2011

Losses		$ 2,623,528
Loss adjustment expenses		810,067
Commissions payable, contingent commissions/other		402
Other expenses (excluding taxes, licenses, and fees)		103,217
Current federal and foreign income taxes		22,954
Payable to parent, subsidiaries, and affiliates		18,563
Write-ins for liabilities:		
Other payables		30
Total liabilities		3,578,760
Common capital stock	$ 4,000,000	
Aggregate write-ins for other than special surplus fund	33,711	
Gross paid in and contributed surplus	227,617,212	
Unassigned funds (surplus)	(217,553,056)	
Surplus as regards policyholders		14,097,867
Total Liabilities and Surplus		$17,676,627

Omaha Indemnity Company
Summary of Operations
For the Year 2011

Underwriting Income		
Premiums earned		$ 0
Deductions:		
Losses incurred	$ (248,060)	
Loss expenses incurred	78,295	
Other underwriting expenses incurred	292,909	
Total underwriting deductions		123,143
Net underwriting gain (loss)		(123,143)
Investment Income		
Net investment income earned	724,472	
Net realized capital gains (losses)	0	
Net investment gain (loss)		724,472
Other Income		
Total other income		0
Net income before taxes		601,329
Federal taxes		175,752
Net Income		$425,577

Omaha Indemnity Company
Cash Flow
For the Year 2011

Premiums collected net of reinsurance			$ 0
Net investment income			798,664
Miscellaneous income			0
Total			798,664
Benefit- and loss-related payments		$ 954,406	
Commissions, expenses paid, and aggregate write-ins for deductions		346,284	
Federal and foreign income taxes paid		246,635	
Total deductions			1,547,325
Net cash from operations			(748,661)
Proceeds from investments sold, matured, or repaid:			
Bonds	$2,663,555		
Miscellaneous proceeds	212		
Total investment proceeds		2,663,767	
Cost of investments acquired (long-term only):			
Bonds	4,209,616		
Miscellaneous applications	0		
Total investments acquired		4,209,616	
Net cash from investments			(1,545,850)
Cash from financing and miscellaneous sources:			
Dividends to stockholders		0	
Other cash provided (applied)		(12,204)	
Net cash from financing and miscellaneous sources			(12,204)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(2,306,714)
Cash, cash equivalents, and short-term investments:			
Beginning of year			2,496,944
End of Year			$ 190,229

Omaha Indemnity Company
Compulsory and Security Surplus Calculation
December 31, 2011

Assets		$17,676,627
Less liabilities		3,578,760
Adjusted surplus		14,097,867
Annual premium:		
Lines other than accident and health	$ 0	
Factor	20%	
		0
Compulsory surplus (subject to a minimum of $2 million)		2,000,000
Compulsory Surplus Excess (or Deficit)		$12,097,867
Adjusted surplus (from above)		$14,097,867
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)		$11,297,867

Omaha Indemnity Company
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2011

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	2011	2010	2009	2008	2007
Surplus, beginning of year	$13,474,073	$14,527,938	$13,114,388	$15,624,074	$14,928,800
Net income	425,577	2,836,608	793,719	360,027	582,205
Change in net deferred income tax	(147,579)	(820,257)	(283,941)	(371,464)	(226,569)
Change in nonadmitted assets	350,352	81,563	713,726	408,086	433,302
Other tax adjustments	(4,556)	(151,779)	190,046	0	0
Change in provision for reinsurance	0	0	0	93,664	(93,664)
Dividends to stockholders	0	(3,000,000)	0	(3,000,000)	0
Surplus, End of Year	$14,097,867	$13,474,073	$14,527,938	$13,114,388	$15,624,074

Omaha Indemnity Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2011

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below

	Ratio	**2011**	**2010**	**2009**	**2008**	**2007**
#1	Gross Premium to Surplus	0%	0%	0%	0%	0%
#2	Net Premium to Surplus	0	0	0	0	0
#3	Change in Net Premiums Written	0	0	0	0	-99.0*
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	0	0	0	0	0
#6	Investment Yield	4.2	4.5	4.9	4.8	4.7
#7	Gross Change in Surplus	5.0	-7.0	11.0	-16.0*	5.0
#8	Net Change in Adjusted Surplus (established in 2005)	5.0	-7.0	11.0	-16.0*	5.0
#9	Liabilities to Liquid Assets	21.0	26.0	34.0	39.0	37.0
#10	Agents' Balances to Surplus	0	0	0	0	0
#11	One-Year Reserve Development to Surplus	-1.0	-13.0	-1.0	-1.0	-1.0
#12	Two-Year Reserve Development to Surplus	-14.0	-15.0	-2.0	-3.0	0
#13	Estimated Current Reserve Deficiency to Surplus	0	0	0	0	0

The company continues to run-off its business and does not plan to resume direct issuance of insurance. There were no exceptional IRIS ratios for the past three years. The exceptional IRIS ratios for #7 and #8 for 2008 were the result of a $3 million extraordinary dividend being paid by Omaha Indemnity to its parent, Mutual of Omaha, in 2008. The exceptional IRIS ratio #3 for 2007 is the result of the company not writing any new premiums after 2006.

Growth of Omaha Indemnity Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2011	$17,676,627	$3,578,760	$14,097,867	$ 425,577
2010	18,191,496	4,717,423	13,474,073	2,836,608
2009	21,627,759	7,099,821	14,527,938	793,719
2008	20,892,083	7,777,696	13,114,388	360,027
2007	24,766,791	9,142,716	15,624,074	582,205

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2011	$0	$0	$0	-	-	-
2010	0	0	0	-	-	-
2009	0	0	0	-	-	-
2008	0	0	0	-	-	-
2007	0	0	0	-	-	-

The above 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 are high due to 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 since 1991 from Mutual of Omaha. The $3 million extraordinary dividend paid in 2008 and 2010 resulted in a decline in surplus in those two years. The company has chosen to dividend available surplus back to its parent when it reaches a significant level above $13 million and intends to continue to do so.

Reconciliation of Surplus per Examination

No adjustments or reclassifications were made to surplus as a result of this examination. The amount of surplus reported by the company as of December 31, 2011, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were two specific recommendations made in the previous examination report. The recommendations contained in the last examination report and actions taken by the company are as follows:

1. Invested Assets—It is recommended that the company properly report the acquisition and disposal of securities on the trade date pursuant to NAIC Accounting Practices and Procedures Manual, SSAP No. 26, paragraph 4.

   Action—Compliance

2. Abandoned Property—It is recommended that in future statutory financial statements the company properly classify abandoned property in accordance with the NAIC's Annual Statement Instructions – Property and Casualty.

   Action—Compliance

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. The examination resulted in no adverse comments or recommendations. Comment on the remaining areas of the company's operations is contained in the examination work papers.

VIII. CONCLUSION

The company has recorded net income in each of the past five years and has been able to pay dividends to it parent of $3 million in 2008 and 2010. The company has experienced positive net investment gains in 2007 through 2011, partially offsetting net underwriting losses in four of the previous five years. The company's surplus increased $623,794 or 4.6% from $13,474,073 on December 31, 2010, to $14,097,867 as of December 31, 2011. The company has attempted to maintain a consistent level of surplus by paying dividends to its parent when surplus levels rise above a level considered to be prudent. The examination did not identify any material misstatements of account balances as reported by the company in its 2011 statutory financial statements. The company has complied with the two prior examination recommendations regarding properly recording invested assets and accounting for abandoned property. The current examination resulted in no adverse comments or recommendations. As a result of this examination, there were no adjustments to surplus.

The company experienced serious financial problems in the mid-1980s on reinsurance assumed through managing general agencies and discontinued writing most lines of business that year. Since then, the company's principal activity has been the run-off of the reinsurance assumed. The company's parent, Mutual of Omaha, made capital contributions to Omaha Indemnity as needed to fund the run-off. Mutual of Omaha has not made capital contributions since 1991 and believes no additional capital contributions will be needed. The company does not plan to resume direct issuance of insurance. Company management is not able to predict how long the run-off process might last on outstanding claims.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examination resulted in no adverse comments or recommendations.

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:

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Michael E. Miller	Insurance Financial Examiner
Randy Milquet	IT Specialist

Respectfully submitted,

Richard B. Janosik
Examiner-in-Charge