REPORT OF EXAMINATION

(Market Conduct)

of

Mutual of Omaha Insurance Company

NAIC Company Code 71412

of

Omaha, Nebraska

As of

December 31, 2006

By Representatives of the
Oklahoma Insurance Department

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SALUTATION

Oklahoma City, Oklahoma
January 22, 2008

Honorable Kim Holland
Insurance Commissioner
State of Oklahoma
2401 NW 23rd Street, Suite 28
Oklahoma City, Oklahoma 73107

Commissioner Holland:

Pursuant to your instructions and in compliance with the provisions of Title 36 of the Oklahoma Statutes, rules, regulations and procedures of the Oklahoma Insurance Department, and the procedures established by the National Association of Insurance Commissioners, an examination of the market conduct activities has been conducted of:

Mutual of Omaha Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

The report thereon, as of December 31, 2006 is herein respectfully submitted.

FOREWORD

This examination report reflects the Oklahoma insurance activities of Mutual of Omaha Insurance Company (hereinafter referred to as the "Company"). The examination is, in general, a report by test, wherein each test applied during the examination is stated and the results are reported, whether favorable or unfavorable. The Commissioner of Insurance of the State of Oklahoma is hereinafter referred to as the "Commissioner" and the Insurance Department of the State of Oklahoma is hereinafter referred to as the "Insurance Department" or the "OID."

SCOPE OF EXAMINATION

The examination of the Company was conducted pursuant, but not limited to, Sections 309.1 - 309.7, 1203 - 1220, 1250.1 - 1250.16, 1435.2 - 1435.38, 4030.1, 4112 and 6901 - 6951 of Title 36 of the Oklahoma Statutes and Oklahoma Administrative Code sections 365:40-1-1 through 365:40-5-130. In reviewing material for this report, the examiner relied primarily on records and information maintained by the Company.

The purpose of this examination was to determine compliance by the Company with Oklahoma Insurance Laws and Regulations, and to determine if the Company's operations were consistent with the public interest. The examination included, but was not limited to, the following areas of the Company's operations:

A. Company Operations/Management;
B. Complaint Handling;
C. Agent's Licensing;
D. Policyholder Service and
E. Claim Practices.

In cases where samples were selected and file sizes warrant, error ratios are projected to indicate a maximum high or low at a 95% level of confidence. Some files may contain multiple errors, which are indicated by category, but are counted only once in determining the error ratio.

The examination period was from January 1, 2004 through December 31, 2006. The examination fieldwork commenced on March 19, 2007 and concluded on July 6, 2007. The examination took place in the Company's Omaha, Nebraska office.

HISTORY AND PROFILE

Originally incorporated in Nebraska in 1909 on the mutual assessment plan under the title Mutual Benefit Health and Accident Association, in 1962 its corporate structure changed to a mutual legal reserve basis and the present title was adopted.

Historically, the Company has focused on individual and group major medical products, but has also offered disability income, Medicare supplement, accidental death and dismemberment, long-term care, critical illness, and hospital indemnity coverages. The Company has stopped writing major medical business and focusing instead on senior health and supplemental health insurance products.

The Company is licensed in all fifty (50) states and the District of Columbia, Puerto Rico, and the Virgin Islands. A portion of the Company's individual health insurance business is developed through a network of nearly 1,200 career agents in thirty-two (32) offices and one (1) central agency. An increasing amount of business is sold through brokers and on a direct response basis.

The Company's direct written premium in Oklahoma is compared to the total premium in the table below:

	2004	2005	2006
Oklahoma	17,657,473	19,226,283	21,253,336
Total Company	$ 1,477,460,040	$ 1,521,300,738	$ 1,602,752,337

COMPANY OPERATIONS/MANAGEMENT

MGA, GA, TPA Oversight

The Company utilized the services of Summit America Insurance Services, located in Overland Park, KS and Health Special Risks, which is located in Carollton, TX to process special risk claims during the examination period. All claims were made available in the original paper copy for the examiner's review at the Company offices. No other TPAs, MGAs or GAs were used in Oklahoma during the examination period.

Internal Audits

The Company provided an index of the audits performed by their internal audit department during the examination period. Audits were sampled and reviewed. Auditor findings that required corrective action were noted and followed until changes were implemented.

Anti-Fraud Plan

The anti-fraud program is headed by an experienced staff in the Special Investigations Unit, whose responsibilities include education and training, detection and investigation of suspected insurance fraud and reporting insurance fraud. All new employees and agents undergo a fraud awareness training program. Claims personnel are trained to refer abnormal claims for further review. Throughout the year, associates are sent additional training modules through the Company's Learning Management System.

Certificate of Authority

A copy of the Company's current Certificate of Authority issued by the State of Oklahoma Insurance Commissioner was reviewed and found to be in conformity with the Company's operations.

Disaster Recovery

The Company currently contracts with an outside service that will provide a "hot site" for recovery of data in case the Company's data center is damaged. Each individual business unit has its plan to identify their critical business functions and the resources to continue their business processing.

Computer Systems

The information security policy outlined the procedures employed to assure the security and integrity of vital business information. Information is classified by category according to the sensitivity of the information involved. The general technical/procedural assurances to be applied are outlined along with a discussion of the "risk of compromise or disclosure." In each case the evaluation is a collaborative effort between the appropriate business partner owner and I/S Security Compliance and Risk Management.

Board of Director's Meeting Minutes

The Board of Directors' meeting minutes for the examination period were reviewed without adverse findings.

Privacy

Copies of the company's privacy practices and notices were reviewed without comment.

CONSUMER COMPLAINTS

The Company was requested to provide a listing of all the Oklahoma complaint files for the period January 1, 2004 through December 31, 2006. A total of fifty-eight (58) complaints were listed on the complaint registers provided by the Company and the Insurance Department. All were reviewed. Nineteen (19) of the complaints were outside the scope of the examination as some of the complaints from the Insurance Department list were complaints against another company and some of the complaints on the Company list were on groups regulated by the Federal Government. Of the remaining thirty-nine (39), there were four (4) errors, for an error ratio of 10.3%. The errors are detailed below.

Complaint Time Studies

For these studies, inquiry response times are measured in terms of calendar days to comply with Section 1250.4(A) of Title 36 of the Oklahoma Statutes. Twenty (20) calendar days are allowed for a response to an inquiry from the Commissioner. Correspondence from a claimant requires a response within thirty (30) calendar days.

One (1) Insurance Department complaint on policy number 193756-97 was received on October 1, 2004 and responded to twenty-one (21) days later on October 22, 2004.

Complaint Handling

Complaint files were reviewed to assure complete records, appropriate and complete responses and accuracy of handling of the underlying file.

With regard to complete records, Section 1250.4(A) of Title 36 of the Oklahoma Statutes requires that records be maintained to permit reconstruction of pertinent dates and events. Two (2) complaint files were incomplete as indicated below.

Policy No.	Comments	Notes
182353-19S	INCOMPLETE FILE	BOTTOM OF COMPLAINT LETTER IS MISSING.
689782-31	INCOMPLETE FILE	HALF OF ORIGINAL COMPLAINT SHEET IS MISSING.

No other discrepancies were noted in this section of the examination.

Functional Cause of Complaints

TYPE	COUNT	PERCENT
Policyholder Service	12	20.7
Claim	19	32.8
Agent	6	10.3
Other	2	3.4
Not in Scope of Exam	19	32.8
Total	**58**	**100.0**

PRODUCER LICENSING

Producer licensing and appointment records were reviewed for compliance with Oklahoma Statutes and Administrative Code.

Twenty-five (25) producer files were sampled to review appointment and appointment termination procedures.

No discrepancies were noted in this section of the examination.

POLICY OWNERS' SERVICE

Policy owners' service files were examined for timeliness and adequacy of action and response to service requests. Billing and reinstatement procedures were reviewed. A sampling of fifty (50) from a population of 18,057 service requests and responses were also reviewed.

No discrepancies were noted in this section of the examination.

CLAIM PRACTICES

The claims practices were examined for efficiency of handling, accuracy of payment, compliance with Oklahoma Statutes and Regulations, and adherence to contract provisions.

A claim is taken to be a demand for payment by an insured or third party claimant under coverage against the insurer, which claim is:

Paid by the insurer as:

1. Full recompense
2. Partial recompense

Closed without payment by reason of no:

1. Relevant coverage
2. Liability

The Company has written multiple lines of business in Oklahoma. The table below shows, for the examination period, the population of claims by line of business and the number of files randomly selected for review for this examination.

Type	Population	Selection
Miscellaneous Paid	4,532	100
Miscellaneous Denied	792	100
Medicare Supplement Paid	168,921	100
Medicare Supplement Denied	15,287	100
Long Term Care Paid	234	85
Long Term Care Denied	38	38
Disability Paid	478	54
Disability Denied	30	30
Spec Risk Paid	773	75
Spec Risk Denied	673	65
Totals	**191,758**	**747**

Claim Time Studies

Claims were reviewed for timeliness of handling, particularly with regard to Section 1219 of Title 36 of the Oklahoma Statutes, also known as the "Clean Claim Act."

One (1) error was found on claim number 30818780-3 of policy number NC00030341046, where interest was not added to the proceeds paid more than forty-five (45) days after receipt of proof of loss in violation of the above code. When requested, additional medical information was not received. The adjuster decided to make the allowances based on information received earlier. The interest amount was less than five (5) dollars and the Company was not required to make a payment at this time.

No other discrepancies were noted in this section of the examination.

Claims Handling

Claims files were reviewed for accuracy of payment, complete and reasonable explanations of benefits and compliance with Oklahoma statutes and regulations.

One (1) error was found on claim number 30060452-1 of policy number 60229372 was not paid according to contract provisions, where benefits were overpaid by $1,500 when a maximum benefit was inadvertently exceeded.

No other discrepancies were noted in this section of the examination.

SUMMARY

Comments	Page(s)
Consumer Complaints	
Complaint Time Studies	
One (1) inquiry from the OID took over twenty (20) days to respond in violation of Section 1250.4(A) of Title 36 of the Oklahoma Statutes. Error ratio 2.56%.	4
Complaint Handling	
Two (2) complaint files were incomplete and could not be reconstructed in violation of Section 1250.4(A) of Title 36 of the Oklahoma Statutes. Error ratio 5.12%.	4
Claim Practices	
Claim Time Studies	
One (1) claim did not have interest added to a delayed payment as required by Section 1219 of Title 36 of the Oklahoma Statutes. Error ratio is 0.13%.	6
Claims Handling	
One (1) claim was overpaid by contract provisions. Error ratio is 0.13%	6

CONCLUSION

The market conduct examination report on Mutual of Omaha Insurance Company is respectfully submitted to the Honorable Kim Holland, Insurance Commissioner of the State of Oklahoma.

This examiner wishes to express his appreciation for the courteous cooperation and assistance given by the Officers and employees of the Company during the course of this examination.

Sincerely,

Charles R. Pickett, CLU, ChFC, FLMI, CIE
Examiner-In-Charge, State of Oklahoma
Midwestern Zone III, NAIC

AFFIDAVIT

STATE OF TEXAS.....)
)ss
COUNTY OF TARRANT.....)

Charles R. Pickett, of lawful age, being first duly sworn, upon oath state that I have been charged with examining **Mutual of Omaha Insurance Company as of December 31, 2006**, that I have prepared and read the foregoing Report of Market Conduct Examination, that I am familiar with the matters set forth therein, and I certify the Report is true and complete to the best of my knowledge and belief.

(SIGNATURE)

Subscribed and sworn to before me this 15TH day of February 2008, by Charles R. Pickett.

NOTARY PUBLIC

My Commission Expires: 07-27-2011

AUGUST CHOQUETTE
NOTARY PUBLIC
STATE OF TEXAS
COMMISSION EXPIRES
JULY 27, 2011