



Illinois Department of Insurance

BRUCE RAUNER
Governor

JAMES A. STEPHENS
Acting Director

April 17, 2015

Daniel Paul Neary, President
Mutual of Omaha Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175

Re: Mutual of Omaha Insurance Company
Market Conduct Examination Report Closing letter

Dear Mr. Neary:

The Department has reviewed your company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

If you have any questions, my contact information is listed below.

Sincerely,

A handwritten signature in blue ink that reads "Michael P. Rohan".

Michael P. Rohan
Deputy Director
Consumer Education and Protection
Illinois Department of Insurance
122 S. Michigan Avenue, 19th Floor
Chicago, IL 60603
Phone: 312-814-8206
E-mail: Michael.Rohan@illinois.gov

MUTUAL OF OMAHA INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: May 5, 2014 through September 30, 2014

EXAMINATION OF: Mutual of Omaha Insurance Company
NAIC Number: 71412

LOCATION: Mutual of Omaha Plaza
Omaha, NE 68175

**PERIOD COVERED
BY EXAMINATION:** January 1, 2013 through December 31, 2013

EXAMINERS: Delbert L. Knight, CIE, MCM, FLMI, EIC
Joseph Krug, CFE

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I. SUMMARY

A comprehensive Market Conduct examination of Mutual of Omaha Insurance Company was performed to determine compliance with Illinois Statutes and Illinois Administrative Code.

The following table represents the general findings with the details of each review located in specific sections of the report.

<u>TABLE OF TOTAL VIOLATIONS</u>						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
1	215 ILCS 5/351A-9.2	Long Term Care Issued files failed to contain documentation that verified delivery of a Long Term Care policy within 30 days of approval.	976	105	14	13.33%
2	215 ILCS 5/132(2)	Long Term Care Declined files failed to contain a copy of the declination letter sent to the applicant.	526	83	1/83	1.20%
3		Criticism Removed				
4		Criticism Removed				
5	215 ILCS 5/132(2)	Specified Disease Not Taken file did not contain documentation that a refund was paid.	93	55	1	1.82%
6	215 ILCS 5/132(2)	OTHER Issued file contained an application form that was not approved for use in IL.	449	83	1	1.20%
7	50 Ill. Adm. Code 919.50	Long Term Care claim not paid within 30 days of receipt of proof of loss.	112	40	3	7.50%
8	215 ILCS 5/368a(c)	Long Term Care claim interest still owed.	112	40	4	10.00%
9	50 Ill. Adm. Code 919.50	Disability Income claim was not paid within 30 days of receipt of proof of	92	35	1	2.85%

		loss.				
10	50 Ill. Adm. Code 919.50	Group Special Risk claim was not paid within 30 days of receipt of proof of loss.	2,413	190	9	4.73%

II. BACKGROUND

Mutual of Omaha Insurance Company (the Company) was chartered on March 5, 1909 and commenced business on January 10, 1910 in Omaha, Nebraska. The Company received its license to conduct business in Illinois on October 18, 1917.

The Company offers Individual Long Term Care insurance, Individual Disability Income insurance, Individual Medicare Supplement insurance, Individual Specified Disease, Individual Accident Death & Dismemberment {AD&D} insurance, Individual Hospital Indemnity insurance, Individual Accident-only insurance and Group Student Blanket Special Risk insurance. The Company markets through independent agents, brokers and direct sales.

Total Direct Premiums Written in Illinois for Accident and Health insurance are as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Individual Accident and Health	Current market share	Group Accident and Health	Current market share
2011	\$30,668,152	\$13,105,512	.00570	\$17,562,639	.00132
2012	\$37,407,772	\$20,730,730	.00851	\$16,677,042	.00128
2013	\$61,610,013	\$45,191,861	.01870	\$16,478,962	.00120

III. METHODOLOGY

The Market Conduct Examination covered the business written during January 1, 2013 through December 31, 2013. Specifically, the examination focused on a review of the following areas:

1. Sales and advertising
2. Producer Licensing
3. Underwriting procedures
4. Claim procedures
5. Appeals, Department Complaints and Complaints received directly from consumers.

The review of the categories was accomplished through examination of producer lists, claim files, underwriting files and complaint files. Each of the categories was examined for compliance with Department Regulations and applicable State laws.

The report concerns itself with practices performed by the Company which resulted in a lack of compliance with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All found violations are cited in the report.

The following methods were used to obtain the required samples and to ensure a methodical selection.

Producer Licensing

New business was reviewed to determine if solicitations were made by duly licensed persons.

Claims

1. Paid Claims – Payment for claims made during the examination period.
2. Denied Claims – Denial of benefits during the examination period for losses not covered by policy provisions.

All claims were reviewed for compliance with policy contracts and applicable Sections of the Illinois Insurance Code (Section 5/1 *et seq.*), and the Illinois Administrative Code.

The period under review was January 1, 2013 through December 31, 2013.

Department Complaints and Consumer Appeals

The Company was requested to provide all files relating to complaints received via the Department of Insurance and those received directly from consumers. The Company was also requested to provide files of all consumer complaints and formal appeals handled during the survey period.

The period under review is January 1, 2013 through December 31, 2013.

IV. FINDINGS

A. COMPANY OPERATIONS AND MANAGEMENT

1. Company procedures, plans and guidelines

A review was conducted of the Company's underwriting guidelines and procedures, internal audits, disaster recovery plan, anti-fraud program and third-party vendor contracts. No violations were noted.

2. Company's Privacy Procedures

A review of the Company's privacy procedures, including compliance with 215 ILCS 5/355(b), which requires the implementation of policies and procedures to prevent the wrongful disclosure of certain data/identifiable information was conducted. This review produced no criticisms.

B. COMPLAINTS AND APPEALS

A review of the complaints received by the Company and the Illinois Department of Insurance produced no criticisms. Further, a review of all Appeals produced no criticisms as well.

C. MARKETING AND SALES

A review of the Company's marketing and sales procedures, including samples of its advertising materials, produced no criticisms.

D. PRODUCER LICENSING

A review of the Company's producer licensing guidelines and procedures, as well as verifying a random sample of its licensed producers, produced no criticisms.

E. FORMS

A review of the Company's form filing process, as well as verifying a random sample of approved forms, produced no criticisms.

F. UNDERWRITING AND RATING

1. Univita Individual Long Term Care Policies Issued

Field Size	976
Sample Size	105
Files in Error	14
Error Rate	13.33%

The Company was unable to provide evidence of the delivery of a Long Term Care insurance policy to the policy owner within 30 days of approval, as required by 215 ILCS 5/351A-9.2.

2. Univita Individual Long Term Care Policies Declined

Field Size 526
Sample Size 83
Files in Error 1
Error Rate 1.20%

The Company was unable to provide evidence of sending the declination letter to the applicant. This is a violation of 215 ILCS 5/132(2).

3. Univita Individual Long Term Care Policies Declined

Field Size 526
Sample Size 83
Files in Error 1
Error Rate 1.20%

4. Specified Disease Policies Not Taken

Field Size 93
Sample Size 55
Files in Error 1
Error Rate 1.82%

The Company was unable to provide support that they returned the entire unearned premium due the applicant. This is a violation of 215 ILCS 5/132(2).

5. OTHER (AD&D, Hospital Indemnity and Accident Only Coverages)

Field Size 449
Sample Size 83
Files in Error 1
Error Rate 1.20%

The Company used an application form that was not filed for use in Illinois. This is a violation of 215 ILCS 5/132(2).

6. Actuarial Review of Long Term Care Premium Rates

As part of this examination, INS Consultants (INS) conducted a review of the Company's Long Term Care (LTC) rates in Illinois to determine whether or not these rates complied with the 50 Ill. Adm. Code 2012.110 and 50 Ill. Adm. Code 2012.112.

On July 21, 2014 INS submitted the following request for information to the Company:

- A chart showing the following: Illinois LTC Policy Forms, Issue Dates, Closed/Open, Number of Policyholders as of 12/31/2013 (Illinois), Average Premium as of 12/31/2013 (Illinois), Number of Policyholders as of 12/31/2013 (Nationwide), Average Premium as of 12/31/2013 (Nationwide)
- History of rate increases by LTC policy form in Illinois.
- Cumulative rate increases as of 12/31/2013 by LTC policy form for both Illinois and Nationwide.
- Nationwide and Illinois experience (incurred claims, earned premiums, loss ratio, actual to expected loss ratio, number of policyholders) by policy form for all calendar years through 12/31/2013. This information is typically provided in rate increase filings.

The Company provided the requested information on July 25, 2014. INS used this information as part of the review of the Company's Long Term Care rates. INS also performed experience projections to determine compliance with the pre-rate stability loss ratio of 60% [Illinois Administrative Code Title 50, Chapter I, Subchapter z, Part 2012, Section 2012.110(b)] and post-rate stability rate increase requirements [Illinois Administrative Code Title 50, Chapter I, Subchapter z, Part 2012, Section 2012.112(c)].

Based on INS' review and analysis of the information provided by the Company, it appears that the Company's Long Term Care rates meet the requirements of the Illinois Long Term Care sections cited above.

G. CLAIMS

1. Univita Individual Long Term Care Claims Paid

Field Size	112
Sample Size	40
Files in Error	4
Error Rate	10%

The Company did not to pay the claims within thirty days of receipt of an acceptable proof of loss. This is a violation of 50 Ill. Adm. Code 919.50.

The Company did not pay interest on claims that were paid more than thirty days after receipt of an acceptable proof of loss. This is a violation of 215 ILCS 5/368a(C).

2. Disability Income Claims Paid

Field Size 92
Sample Size 35
Files in Error 1
Error Rate 2.85%

The Company did not pay a claim within thirty days of receipt of an acceptable proof of loss. This is a violation of 50 Ill. Adm. Code 919.50.

3. Group Special Risk Claims Paid and Denied

Field Size 2,413
Sample Size 190
Files in Error 9
Error Rate 4.73%

The Company did not pay the claim within thirty days of receipt of an acceptable proof of loss. This is a violation of 50 Ill. Adm. Code 919.50.

V. INTERRELATED FINDINGS

No interrelated findings were identified during the review of the Company's underwriting files, claim files, policies and procedures or general business practices.

VI. TECHNICAL APPENDICES

No Technical Appendices were created.

STATE OF ARIZONA)
) ss
COUNTY OF MARICOPA)

DELBERT L. KNIGHT, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of MUTUAL OF OMAHA INSURANCE COMPANY, (the "Company"), NAIC #71412;

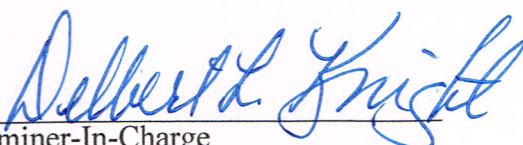
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

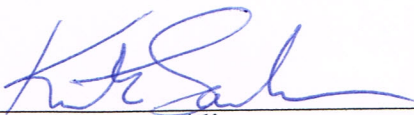
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.


Examiner-In-Charge

Subscribed and sworn to before me this 25th day of November, 2014.



Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Mutual of Omaha Insurance Company, NAIC #71412
Mutual of Omaha Plaza
Omaha, NE 68175

STIPULATION AND CONSENT ORDER

WHEREAS, the Director ("Director") of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Mutual of Omaha Insurance Company ("Company"), NAIC #71412, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, , 5/403, 5/407.2, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, and 407, 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures allowing the Company to document that a Long Term Care insurance policy was delivered to the policy owner within 30 days of approval, as required by 215 ILCS 5/351A-9.2.
2. Institute and maintain policies and procedures to ensure the Company pays all claims within thirty days of receipt of an acceptable proof of loss, as required by 50 Ill. Adm. Code 919.50.
3. Institute and maintain policies and procedures to ensure the Company pays the appropriate interest on all unpaid claims within thirty days of an acceptable proof of loss, as required by 215 ILCS 5/368a(c).
4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above three (3) orders within 30 days of receipt of this Order.
5. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$19,500 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of Mutual of Omaha Insurance Company, NAIC #71412

Shawn Pollock
Signature

SHAWN POLLOCK
Name

DIRECTOR - MARKET CONDUCT & COMPLIANCE
Title

Subscribed and sworn to before me this
9 day of April 2015.

Sarah L. Johnson
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 4-10-15

James Stephens
Director