



LIFE AND ACCIDENT AND HEALTH COMPANIES - ASSOCIATION EDITION

# QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2010  
OF THE CONDITION AND AFFAIRS OF THE

## HealthSpring Life & Health Insurance Company, Inc.

NAIC Group Code 3477 (Current) (Prior) NAIC Company Code 12902 Employer's ID Number 20-8534298

Organized under the Laws of Texas, State of Domicile or Port of Entry Texas

Country of Domicile United States of America

Incorporated/Organized 02/27/2007 Commenced Business 02/27/2007

Statutory Home Office 2900 North Loop West, Suite 1300, Houston, TX 77092  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 601 Mainstream Dr.  
(Street and Number)  
Nashville, TN 37228, 615-291-7000  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 601 Mainstream Dr., Nashville, TN 37228  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 601 Mainstream Dr.  
(Street and Number)  
Nashville, TN 37228, 615-291-7000  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.healthspring.com

Statutory Statement Contact Franklin Stewart Warren, 615-236-6100  
(Name) (Area Code) (Telephone Number)  
stu.warren@healthspring.com,  
(E-mail Address) (FAX Number)

### OFFICERS

President, Chairman & CEO Michael G. Mirt Vice President & Secretary Mark Tulloch  
Chief Financial Officer Franklin Stewart Warren Vice President Scott Jacobson

### OTHER

Jay Hurt Vice President Dirk Wales MD Corporate Medical Director Dana Fields # Compliance Officer  
Rusty Hailey President - Pharmaceutical Operations Brian McCullough Treasurer Lankford Wade Senior Vice President  
David Terry Chief Actuary Scott Huebner Divisional President M. Shawn Morris Divisional President  
Greg Allen Vice President

### DIRECTORS OR TRUSTEES

Michael G. Mirt M. Shawn Morris Randy K. Fike  
Scott C. Huebner Robert L. Dawson Mark Tulloch

State of Tennessee SS:  
County of Davidson

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Michael G. Mirt  
President, Chairman & CEO

Mark Tulloch  
Vice President & Secretary

Franklin Stewart Warren  
Chief Financial Officer

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_

a. Is this an original filing? ..... Yes [ X ] No [ ]

b. If no,

1. State the amendment number.....

2. Date filed .....

3. Number of pages attached.....

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE HealthSpring Life & Health Insurance Company, Inc.

**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	3,013,723		3,013,723	715,998
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ encumbrances) .....			0	0
5. Cash (\$ .....6,313,382 ), cash equivalents (\$ .....10,030,528 ) and short-term investments (\$ .....4,830,641 ) .....	21,174,551		21,174,551	49,571,012
6. Contract loans (including \$ ..... premium notes) .....			0	0
7. Derivatives .....			0	0
8. Other invested assets .....			0	0
9. Receivables for securities .....			0	0
10. Aggregate write-ins for invested assets .....	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10) .....	24,188,274	0	24,188,274	50,287,010
12. Title plants less \$ ..... charged off (for Title insurers only) .....			0	0
13. Investment income due and accrued .....	15,869		15,869	11,646
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection .....	21,598		21,598	1,047,447
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	0
14.3 Accrued retrospective premiums .....			0	5,098
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers .....			0	0
15.2 Funds held by or deposited with reinsured companies .....			0	0
15.3 Other amounts receivable under reinsurance contracts .....			0	0
16. Amounts receivable relating to uninsured plans .....	116,619,050	33,527	116,585,523	37,443,922
17.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
17.2 Net deferred tax asset .....	7,805,269	6,240,617	1,564,652	1,890,398
18. Guaranty funds receivable or on deposit .....			0	0
19. Electronic data processing equipment and software .....			0	0
20. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
21. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
22. Receivables from parent, subsidiaries and affiliates .....			0	0
23. Health care (\$ ..... ) and other amounts receivable .....			0	0
24. Aggregate write-ins for other than invested assets .....	0	0	0	0
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24) .....	148,650,060	6,274,144	142,375,916	90,685,521
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
27. Total (Lines 25 and 26)	148,650,060	6,274,144	142,375,916	90,685,521
<b>DETAILS OF WRITE-INS</b>				
1001. ....				
1002. ....				
1003. ....				
1098. Summary of remaining write-ins for Line 10 from overflow page .....	0	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above) .....	0	0	0	0
2401. ....				
2402. ....				
2403. ....				
2498. Summary of remaining write-ins for Line 24 from overflow page .....	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above) .....	0	0	0	0

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$ ..... less \$ ..... included in Line 6.3 (including \$ ..... Modco Reserve) .....		0
2. Aggregate reserve for accident and health contracts (including \$ ..... Modco Reserve) .....	29,035,528	36,437,699
3. Liability for deposit-type contracts (including \$ ..... Modco Reserve) .....		
4. Contract claims:		
4.1 Life .....		0
4.2 Accident and health .....		0
5. Policyholders' dividends \$ ..... and coupons \$ ..... due and unpaid .....		0
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$ ..... Modco) .....		
6.2 Dividends not yet apportioned (including \$ ..... Modco) .....		
6.3 Coupons and similar benefits (including \$ ..... Modco) .....		
7. Amount provisionally held for deferred dividend policies not included in Line 6 .....		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$ ..... discount; including \$ ..... accident and health premiums .....	389	0
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts .....		
9.2 Provision for experience rating refunds, including \$ ..... accident and health experience rating refunds .....		
9.3 Other amounts payable on reinsurance, including \$ ..... assumed and \$ ..... ceded .....	0	0
9.4 Interest Maintenance Reserve .....		0
10. Commissions to agents due or accrued-life and annuity contracts \$ ..... , accident and health \$ ..... and deposit-type contract funds \$ .....		
11. Commissions and expense allowances payable on reinsurance assumed .....		
12. General expenses due or accrued .....	11,152	4,600
13. Transfers to Separate Accounts due or accrued (net) (including \$ ..... accrued for expense allowances recognized in reserves, net of reinsured allowances) .....		
14. Taxes, licenses and fees due or accrued, excluding federal income taxes .....	67,316	22,515
15.1 Current federal and foreign income taxes, including \$ ..... on realized capital gains (losses) .....	1,738,002	345,834
15.2 Net deferred tax liability .....		
16. Unearned investment income .....		
17. Amounts withheld or retained by company as agent or trustee .....		
18. Amounts held for agents' account, including \$ ..... agents' credit balances .....		
19. Remittances and items not allocated .....		
20. Net adjustment in assets and liabilities due to foreign exchange rates .....		
21. Liability for benefits for employees and agents if not included above .....		
22. Borrowed money \$ ..... and interest thereon \$ .....		
23. Dividends to stockholders declared and unpaid .....		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve .....		0
24.02 Reinsurance in unauthorized companies .....		0
24.03 Funds held under reinsurance treaties with unauthorized reinsurers .....		
24.04 Payable to parent, subsidiaries and affiliates .....	20,489,843	8,412,752
24.05 Drafts outstanding .....		
24.06 Liability for amounts held under uninsured plans .....	48,290,485	10,886,292
24.07 Funds held under coinsurance .....		
24.08 Derivatives .....		0
24.09 Payable for securities .....		
24.10 Capital notes \$ ..... and interest thereon \$ .....		
25. Aggregate write-ins for liabilities .....	0	0
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25) .....	99,632,715	56,109,692
27. From Separate Accounts Statement .....		
28. Total liabilities (Lines 26 and 27) .....	99,632,715	56,109,692
29. Common capital stock .....	2,500,000	2,500,000
30. Preferred capital stock .....		
31. Aggregate write-ins for other than special surplus funds .....	0	0
32. Surplus notes .....		0
33. Gross paid in and contributed surplus .....	22,498,721	12,498,721
34. Aggregate write-ins for special surplus funds .....	0	0
35. Unassigned funds (surplus) .....	17,744,480	19,577,108
36. Less treasury stock, at cost:		
36.1 ..... shares common (value included in Line 29 \$ ..... ) .....		
36.2 ..... shares preferred (value included in Line 30 \$ ..... ) .....		
37. Surplus (Total Lines 31+32+33+34+35-36) (including \$ ..... in Separate Accounts Statement) .....	40,243,201	32,075,829
38. Totals of Lines 29, 30 and 37 .....	42,743,201	34,575,829
39. Totals of Lines 28 and 38 .....	142,375,916	90,685,521
<b>DETAILS OF WRITE-INS</b>		
2501. ....		
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) .....	0	0
3101. ....		
3102. ....		
3103. ....		
3198. Summary of remaining write-ins for Line 31 from overflow page .....	0	0
3199. Totals (Lines 3101 through 3103 plus 3198)(Line 31 above) .....	0	0
3401. ....		
3402. ....		
3403. ....		
3498. Summary of remaining write-ins for Line 34 from overflow page .....	0	0
3499. Totals (Lines 3401 through 3403 plus 3498)(Line 34 above) .....	0	0

**SUMMARY OF OPERATIONS**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts	369,102,253	57,372,771	138,200,985
2. Considerations for supplementary contracts with life contingencies			0
3. Net investment income	18,399	75,992	83,504
4. Amortization of Interest Maintenance Reserve (IMR)			0
5. Separate Accounts net gain from operations excluding unrealized gains or losses			0
6. Commissions and expense allowances on reinsurance ceded			0
7. Reserve adjustments on reinsurance ceded			0
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts			0
8.2 Charges and fees for deposit-type contracts			0
8.3 Aggregate write-ins for miscellaneous income	0	0	0
9. Totals (Lines 1 to 8.3)	369,120,652	57,448,763	138,284,489
10. Death benefits			0
11. Matured endowments (excluding guaranteed annual pure endowments)			0
12. Annuity benefits			0
13. Disability benefits and benefits under accident and health contracts	333,746,397	44,802,904	58,279,297
14. Coupons, guaranteed annual pure endowments and similar benefits			0
15. Surrender benefits and withdrawals for life contracts			0
16. Group conversions			0
17. Interest and adjustments on contract or deposit-type contract funds			0
18. Payments on supplementary contracts with life contingencies			0
19. Increase in aggregate reserves for life and accident and health contracts			36,437,699
20. Totals (Lines 10 to 19)	333,746,397	44,802,904	94,716,996
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)			
22. Commissions and expense allowances on reinsurance assumed			
23. General insurance expenses	38,484,041	6,413,781	14,732,237
24. Insurance taxes, licenses and fees, excluding federal income taxes	216,007	65,573	132,430
25. Increase in loading on deferred and uncollected premiums			0
26. Net transfers to or (from) Separate Accounts net of reinsurance			0
27. Aggregate write-ins for deductions	0	0	0
28. Totals (Lines 20 to 27)	372,446,445	51,282,258	109,581,663
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(3,325,793)	6,166,505	28,702,826
30. Dividends to policyholders			0
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	(3,325,793)	6,166,505	28,702,826
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	(1,852,437)	3,228,532	11,248,335
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(1,473,356)	2,937,973	17,454,491
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ (excluding taxes of \$ transferred to the IMR)			
35. Net income (Line 33 plus Line 34)	(1,473,356)	2,937,973	17,454,491
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year	34,575,829	7,742,219	7,742,219
37. Net income (Line 35)	(1,473,356)	2,937,973	17,454,491
38. Change in net unrealized capital gains (losses) less capital gains tax of \$			
39. Change in net unrealized foreign exchange capital gain (loss)			
40. Change in net deferred income tax	(690,352)	1,122,859	1,201,510
41. Change in nonadmitted assets	331,080	(459,094)	(6,605,223)
42. Change in liability for reinsurance in unauthorized companies			0
43. Change in reserve on account of change in valuation basis, (increase) or decrease			0
44. Change in asset valuation reserve			0
45. Change in treasury stock			0
46. Surplus (contributed to) withdrawn from Separate Accounts during period			
47. Other changes in surplus in Separate Accounts Statement			
48. Change in surplus notes			
49. Cumulative effect of changes in accounting principles			
50. Capital changes:			
50.1 Paid in			
50.2 Transferred from surplus (Stock Dividend)			
50.3 Transferred to surplus			
51. Surplus adjustment:			
51.1 Paid in	10,000,000	7,488,721	7,488,721
51.2 Transferred to capital (Stock Dividend)			
51.3 Transferred from capital			
51.4 Change in surplus as a result of reinsurance			
52. Dividends to stockholders			
53. Aggregate write-ins for gains and losses in surplus	0	0	7,294,111
54. Net change in capital and surplus for the year (Lines 37 through 53)	8,167,372	11,090,459	26,833,610
55. Capital and surplus, as of statement date (Lines 36 + 54)	42,743,201	18,832,678	34,575,829
<b>DETAILS OF WRITE-INS</b>			
08.301.			
08.302.			
08.303.			
08.398. Summary of remaining write-ins for Line 8.3 from overflow page	0	0	0
08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	0	0	0
2701.			
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2799. Totals (Lines 2701 through 2703 plus 2798)(Line 27 above)	0	0	0
5301. Deferred Tax Asset related to novation			7,294,111
5302.			
5303.			
5398. Summary of remaining write-ins for Line 53 from overflow page	0	0	0
5399. Totals (Lines 5301 through 5303 plus 5398)(Line 53 above)	0	0	7,294,111

**CASH FLOW**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance .....	370,133,589	55,863,592	137,148,440
2. Net investment income .....	28,803	90,814	98,883
3. Miscellaneous income .....	0	0	0
4. Total (Lines 1 to 3) .....	370,162,392	55,954,406	137,247,323
5. Benefit and loss related payments .....	341,142,016	(279,455)	58,274,697
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	80,426,182	51,289,949	41,399,782
8. Dividends paid to policyholders .....	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....	(3,244,605)	1,159,134	18,196,612
10. Total (Lines 5 through 9) .....	418,323,593	52,169,628	117,871,091
11. Net cash from operations (Line 4 minus Line 10) .....	(48,161,201)	3,784,778	19,376,232
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	703,000	0	0
12.2 Stocks .....	0	0	0
12.3 Mortgage loans .....	0	0	0
12.4 Real estate .....	0	0	0
12.5 Other invested assets .....	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	0	0
12.7 Miscellaneous proceeds .....	0	203,246	203,246
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	703,000	203,246	203,246
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	3,015,352	728,172	728,172
13.2 Stocks .....	0	0	0
13.3 Mortgage loans .....	0	0	0
13.4 Real estate .....	0	0	0
13.5 Other invested assets .....	0	0	0
13.6 Miscellaneous applications .....	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	3,015,352	728,172	728,172
14. Net increase (or decrease) in contract loans and premium notes .....	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(2,312,352)	(524,926)	(524,926)
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....	0	0	0
16.2 Capital and paid in surplus, less treasury stock .....	10,000,000	7,488,721	7,488,721
16.3 Borrowed funds .....	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0	0
16.5 Dividends to stockholders .....	0	0	0
16.6 Other cash provided (applied) .....	12,077,092	22,666,911	15,755,511
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	22,077,092	30,155,632	23,244,232
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) ..	(28,396,461)	33,415,484	42,095,538
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	49,571,012	7,475,474	7,475,474
19.2 End of period (Line 18 plus Line 19.1) .....	21,174,551	40,890,958	49,571,012

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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**EXHIBIT 1**

**DIRECT PREMIUMS AND DEPOSIT-TYPE CONTRACTS**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Industrial life .....			0
2. Ordinary life insurance .....			0
3. Ordinary individual annuities .....			0
4. Credit life (group and individual) .....			0
5. Group life insurance .....			0
6. Group annuities .....			0
7. A & H - group .....			0
8. A & H - credit (group and individual) .....			0
9. A & H - other .....	369,102,254	57,372,771	138,200,985
10. Aggregate of all other lines of business .....	0	0	0
11. Subtotal .....	369,102,254	57,372,771	138,200,985
12. Deposit-type contracts .....			0
13. Total	369,102,254	57,372,771	138,200,985
DETAILS OF WRITE-INS			
1001. ....			
1002. ....			
1003. ....			
1098. Summary of remaining write-ins for Line 10 from overflow page .....	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)	0	0	0

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### a. Accounting Practices

The financial statements of HealthSpring Life & Health Insurance Company, Inc. (the "Company") are presented on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance (the "Department"). The Department recognizes only statutory accounting practices ("SAP") prescribed or permitted by the state of Texas for determining and reporting the financial condition and results of operations of an insurance company, for determining solvency under Texas Insurance Law. The National Association of Insurance Commissioners' (the "NAIC") *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed or permitted practices by the state of Texas.

#### b. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### c. Accounting Policies

The Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost.
- (3) Cash equivalents include all short-term, highly liquid investments which have original maturities of three months or less at acquisition.
- (4) Health premiums due and uncollected are recorded during the period the Company is obligated to provide services to members and do not bear interest. The allowance for doubtful accounts in the Company's best estimate of the amount of probable losses in the Company's existing health premiums due and unpaid and is based on past-due balances greater than 90 days.
- (5) Investment income is accrued as earned and legally due to be paid to the Company.
- (6) Pharmacy rebates receivable consist of reasonably estimable amounts, based upon utilization data and past history, and billed amounts to pharmaceutical companies. The income from pharmacy rebates are reported as a reduction of claims expense in the summary of operations. Generally, rebate amounts are paid on a quarterly basis thirty days after the end of each quarter.
- (7) Unpaid claims and claims adjustment expenses represent the Company's liability for services that have been performed by providers for members that have not been settled. These liabilities include medical claims reported to the Company, as well as an actuarially determined estimate of claims that have been incurred by not yet reported (IBNR) to the Company. IBNR is based upon the Company's historical claims data, current enrollment, health services utilization statistics and other related information. The Company develops its estimate of IBNR using standard actuarial development methodologies, including the completion factor method. This method estimates liabilities for claims based upon the historical lag between the month when services are rendered and the month claims are paid and takes into consideration factors such as expected medical cost inflation, seasonality patterns, product mix, and membership changes. The completion factor is a measure of how complete the claims paid to date are relative to the estimate of the total claims for services rendered for a given reporting period. Although the completion factors are generally reliable for older service periods, they are more volatile, and hence less reliable, for more recent periods, given that the typical billing lag for services can range from a week to as much as 90 days from the date of service. As a result, for the most recent two to four months, the estimate for incurred claims is developed from a trend factor

## HEALTHSPRING LIFE & HEALTH INSURANCE COMPANY, INC.

analysis based upon per member per month claims trends experienced in the preceding months. The determination of IBNR is complex and involves a significant amount of judgment. Changes in this estimate can materially affect, either favorably or unfavorably, the Company's statement of operation and financial position.

- (8) The Company accrues for medical incentive pools and provider bonuses based upon contractual terms and the most recent claims data available.
- (9) The Company is a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with the Centers for Medicare & Medicaid Services ("CMS"). The CMS Premium, the Member Premium, and the Low-Income Premium Subsidy represent payments for the Company's insurance risk coverage under the Medicare Part D program and therefore are recorded as premium revenues in operations. Premium revenues are recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits. Subsidies from CMS represent cost reimbursements under the Medicare Part D program. Amounts received for these subsidies are not reflected as premium revenues, but rather are accounted for as deposits, with the related asset or liability recorded as *Amounts Receivable for Uninsured Plans or Liability for Amounts Held under Uninsured Plans* in the balance sheet. Pharmacy benefit costs and administrative costs under the contract are expensed as incurred. As discussed below, the Company received through an asset transfer and novation agreement its stand alone Part D membership along with the related Assets and Liabilities of the PDP line of business from one of its affiliates.
- (10) The Company's results of operations are included in the federal consolidated tax return of HealthSpring, Inc. Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized, subject to statutory limitations, for temporary differences between the financial reporting basis and the income tax basis of assets and liabilities based on enacted tax laws and statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Gross deferred tax assets are first reduced by a statutory valuation allowance adjustment if, based on the weight of available evidence, it is more likely than not that some portion or all gross deferred tax assets will not realized.

Generally, adjusted deferred tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus 2) the lesser of the remaining gross deferred tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred tax assets, EDP equipment and operating software and any net positive goodwill, plus 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are non-admitted.

The Company is subject to risk-based capital requirements and satisfies the risk-based capital thresholds for electing to admit a higher amount of adjusted gross deferred tax assets. Consequently, adjusted deferred tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with IRS tax loss carryback provisions, not to exceed three years, plus 2) the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus excluding any net deferred tax assets, EDP equipment and operating software and any net positive goodwill, plus 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities after considering character.

- (11) The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
- (12) The Company has not modified its capitalization policy from the prior period.

## 2. Accounting Changes and Corrections of Errors

None

HEALTHSPRING LIFE & HEALTH INSURANCE COMPANY, INC.

3. Business Combinations and Goodwill

None

4. Discontinued Operations

None

5. Investments

a. Mortgage Loans

None

b. Debt Restructuring

None

c. Reverse Mortgages

None

d. Loan-Backed Securities

None

e. Repurchase Agreements

None

f. Real Estate

None

g. Investments in Low Income Housing Tax Credits

None

6. Joint Ventures, Partnerships and Limited Liability Companies

None

7. Investment Income

At September 30, 2010 the Company did not have any accrued investment income that was over 90 days past due.

8. Derivative Instruments

None

HEALTHSPRING LIFE & HEALTH INSURANCE COMPANY, INC.

9. Income Taxes

The net deferred tax assets at September 30, 2010 and the change from the prior year ended December 31, 2009 comprise the following components:

	September 30, 2010			December 31, 2009			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Total gross deferred tax assets	\$ 7,805,269	—	7,805,269	8,495,621	—	8,495,621	(690,352)
Valuation allowance adjustment	—	—	—	—	—	—	—
Adjusted gross deferred tax assets	7,805,269	—	7,805,269	8,495,621	—	8,495,621	(690,352)
Total gross deferred tax liabilities	—	—	—	—	—	—	—
Net deferred tax assets	7,805,269	—	7,805,269	8,495,621	—	8,495,621	(690,352)
Total deferred tax assets nonadmitted	(6,240,617)	—	(6,240,617)	(6,605,223)	—	(6,605,223)	364,606
Net admitted deferred tax assets	\$ 1,564,652	—	1,564,652	1,890,398	—	1,890,398	(325,746)

The Company believes based on the weight of available evidence that the gross deferred tax assets will be realized and a statutory valuation allowance is not warranted.

The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP No. 10R:

	September 30, 2010			December 31, 2009			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Admitted under paragraph 10.a.	\$ 1,564,652	—	1,564,652	1,890,398	—	1,890,398	(325,746)
Admitted under paragraph 10.b.	—	—	—	—	—	—	—
Admitted under paragraph 10.c.	—	—	—	—	—	—	—
Total admitted from the application of paragraph 10.a – 10.c.	1,564,652	—	1,564,652	1,890,398	—	1,890,398	(325,746)
Total admitted adjusted gross deferred tax assets	\$ 1,564,652	—	1,564,652	1,890,398	—	1,890,398	(325,746)

The Company's risk-based capital level used for purposes of paragraph 10.d. is based on authorized control level risk-based capital of \$7,288,693 and total adjusted capital of \$35,450,727. As a result the Company is subject to the risk-based capital requirements, but is not making the election of paragraph 10.e. The current period election differs from the prior reporting period.

Deferred income tax assets and liabilities consist of the following major components:

	September 30, 2010	December 31, 2009	Change
<b>Deferred tax assets:</b>			
Unpaid claims	\$ 222,959	248,640	(25,681)
Amortization of intangible related to novation	6,717,614	7,091,497	(373,883)
Allowance for doubtful accounts	855,895	1,155,484	(299,589)
Nonadmitted assets	8,801	—	8,801
Total gross deferred tax assets	7,805,269	8,495,621	(390,763)
Valuation allowance adjustment	—	—	—
Total adjusted gross deferred tax assets	7,805,269	8,495,621	(690,352)
Nonadmitted deferred tax assets	(6,240,617)	(6,605,223)	364,606
Net admitted deferred tax assets	\$ 1,564,652	1,890,398	(325,746)

There are no temporary differences for which deferred tax liabilities are not recognized.

The Company's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 35% to income before income taxes as follows:

HEALTHSPRING LIFE & HEALTH INSURANCE COMPANY, INC.

	September 30, 2010	December 31, 2009
Current income taxes incurred	\$ (1,852,437)	11,248,335
Change in deferred income tax	690,352	(1,201,510)
Total income tax reported	\$ (1,162,085)	10,046,825
Income tax expense at 35% statutory rate	(1,164,028)	10,045,989
Increase (decrease) in actual tax reported resulting from:		
Tax on unrealized gain on novation	—	—
Nondeductible expenses for meals, penalties, and lobbying	597	836
Change in deferred taxes on nonadmitted assets	1,346	—
Tax-exempt income	—	—
Total income tax reported	\$ (1,162,085)	10,046,825

As of September 30, 2010, there were no net operating carryforwards available for tax purposes.

The amount of federal income taxes incurred that are available for recoupment in the event of future net losses is:

2010	\$ 4,227,690
2009	11,248,335

The Company's federal income tax return is consolidated with:

- HealthSpring, Inc. (Parent)
- NewQuest, LLC (a)
- HealthSpring Management, Inc.
- HealthSpring Employer Services, Inc.
- HealthSpring USA, LLC (a)
- NewQuest Management of Alabama, LLC (a)
- NewQuest Management of Illinois, LLC (a)
- GulfQuest, LP (a)
- HealthSpring of Alabama, Inc.
- HealthSpring of Tennessee, Inc.
- HealthSpring of Florida, Inc. (d/b/a Leon Medical Center Health Plans, Inc.)
- Texas HealthSpring, LLC
- NewQuest Management of Florida, LLC (a)
- HealthSpring Management of America, LLC (a)
- Tennessee Quest, LLC (b)
- HealthSpring Pharmacy Services, LLC (a)
- HealthSpring Pharmacy of Tennessee, LLC (c)

(a) Treated as a division of HealthSpring, Inc. for federal tax purposes

(b) Treated as a division of HealthSpring Management, Inc. for federal tax purposes

(c) Treated as a division of HealthSpring Pharmacy Services, LLC for federal tax purposes

The method of tax allocation among the regulated companies and HealthSpring, Inc. is subject to a written agreement, approved by the Board of Directors, whereby an allocation is made primarily on a separate-return basis with current credit for net operating losses or other items utilized in the consolidated tax return. Intercompany balances are settled periodically, usually monthly, or when deemed necessary. At September 30, 2010 and December 31, 2009, amounts due to HealthSpring, Inc. per the tax sharing arrangements were \$1,738,002 and \$345,834, respectively.

The Company accounts for tax contingencies as prescribed in SSAP No. 5, as well as the adopted portions of Financial Accounting Standards Board Accounting Standards Codification 450, *Contingencies*. As of September 30, 2010 and December 31, 2009, no provision for tax contingencies was required.

HEALTHSPRING LIFE & HEALTH INSURANCE COMPANY, INC.

10. Information Concerning Parent, Subsidiaries and Affiliates

Effective August 1, 2009, the Company received, through an asset transfer and novation agreement, stand alone Prescription Drug Plan (PDP) membership along with the related Assets and Liabilities of the PDP line of business from one of its affiliates, HealthSpring of Tennessee, Inc (HSTN). Prior to the effective date, the Company and its affiliate obtained approvals or acknowledgements as appropriate for this novation from the Centers for Medicare and Medicaid Services (CMS) and each domicile state. As the Assets received exceeded the Liabilities received from HSTN, the Company recorded a Capital Contribution of \$4,988,721 in Quarter 3, 2009 as a result of this transaction.

11. Debt

None

12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

None

13. Capital and Surplus, Shareholders' Dividend Restriction and Quasi-Reorganizations

a. The Company has 5,000,000 shares authorized, 2,500,000 shares issued and outstanding of \$1 par value Common Stock, owned entirely by NewQuest, LLC.

b. The Company has no preferred stock outstanding.

c. The payment of dividends by the Company to shareholders is limited and can only be made from earned profits unless prior approval is received from the Department. The maximum amount of dividends that may be paid by insurance companies without prior approval is also subject to restrictions relating to statutory surplus and net income. In the second quarter of 2010, the Company did not pay any dividends.

d. During the 2<sup>nd</sup> quarter of 2010, the Company received a \$10,000,000 surplus infusion from NewQuest, LLC.

14. Contingencies

In the normal course of business, the Company may become subject to lawsuits and other claims and proceedings. Such matters are subject to uncertainty and outcomes are not predictable with assurance. Management is not aware of any pending or threatened lawsuits or proceedings which could have a material adverse impact on the Company's financial position, liquidity or results of operations.

15. Leases

None

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

None

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

None

17c. Wash Sales

None

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

N/A

HEALTHSPRING LIFE & HEALTH INSURANCE COMPANY, INC.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

N/A

20. Other Items

a. Extraordinary Items

None

b. Troubled Debt Restructuring: Debtors

None

c. Other Disclosures

None

d. Uncollectible Amounts for Assets Covered by SSAP No. 6 and No. 47.

None

e. Business Interruption Insurance Recoveries

None

f. State Transferable Tax Credits

None

g. Hybrid Securities

None

h. Subprime Mortgage Related Risk Exposure

None

21. Events Subsequent

None

22. Reinsurance

a. General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee or director of the Company?

Yes ( ) No (X)

(2) Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes ( ) No (X)

(3) Does the Company have any reinsurance contracts in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( ) No (X)

HEALTHSPRING LIFE & HEALTH INSURANCE COMPANY, INC.

(4) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

(5) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0

(6) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes ( ) No (X)

b. Uncollectible Reinsurance

None

c. Commutation of Ceded Reinsurance

None

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

None

24. Change in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2009 were \$36,438,000. During the first 9 months of 2010, \$37,587,000 has been paid on these liabilities. Reserves remaining for prior years are now \$106,000, as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been unfavorable prior year development of \$1,255,000 since December 31, 2009. This release is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

25. Intercompany Pooling Arrangements

None

26. Structured Settlements

None

27. Health Care Receivables

A. Pharmaceutical Rebate Receivables

Quarter Ended	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received Within More Than 180 Days of Billing
9/30/2010	36,813,478	31,845,664	-	-	-
6/30/2010	55,898,755	29,625,244	24,690,957	-	-
3/31/2010	44,775,731	27,071,869	1,282,652	25,755,689	-
12/31/2009	24,403,954	22,154,067	3,515,013	18,492,988	146,066
9/30/2009	23,097,224	20,582,249	17,623,324	2,958,922	4
6/30/2009	92,302	70,829	55,068	15,717	44
3/31/2009	49,216	48,093	28,958	19,204	(69)
		131,398,614	47,195,971	47,242,520	146,045

The Pharmaceutical Rebate Receivable relates to our Medicare Stand-alone Prescription Drug Plan and has been included in Line 16. Amounts receivable relating to uninsured plans.

HEALTHSPRING LIFE & HEALTH INSURANCE COMPANY, INC.

28. Participating Policies

None

29. Premium Deficiency Reserves

None

30. Reserve for Life Contracts and Annuity Contracts

None

31. Analysis of Annuity Actuarial Reserves and Deposit Type Liabilities by Withdrawal Characteristics.

None

32. Premium and Annuity Considerations Deferred and Uncollected

None

33. Separate Accounts

None

34. Loss/Claim Adjustment Expenses

None

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [ X ]
- 1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [ X ]
- 2.2 If yes, date of change: .....
3. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [ X ]  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [ X ]
- 4.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [ X ] N/A [ ]  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2009
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 12/31/2007
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .... 08/14/2008
- 6.4 By what department or departments?  
Texas Department of Insurance
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [ X ] No [ ] N/A [ ]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [ X ] No [ ] N/A [ ]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [ X ]
- 7.2 If yes, give full information:
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

## GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? ..... Yes [  ] No [  ]  
 (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 (c) Compliance with applicable governmental laws, rules and regulations;  
 (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended? ..... Yes [  ] No [  ]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? ..... Yes [  ] No [  ]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

### FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes [  ] No [  ]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... \$ .....

### INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes [  ] No [  ]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... \$ .....
13. Amount of real estate and mortgages held in short-term investments: ..... \$ .....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes [  ] No [  ]
- 14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds .....	\$ ..... 0	\$ .....
14.22 Preferred Stock .....	\$ ..... 0	\$ .....
14.23 Common Stock .....	\$ ..... 0	\$ .....
14.24 Short-Term Investments .....	\$ ..... 0	\$ .....
14.25 Mortgage Loans on Real Estate .....	\$ ..... 0	\$ .....
14.26 All Other .....	\$ ..... 0	\$ .....
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....	\$ ..... 0	\$ ..... 0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$ .....	\$ .....

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes [  ] No [  ]
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [  ] No [  ]  
 If no, attach a description with this statement.

## GENERAL INTERROGATORIES

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [  ] No [  ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Banc of America Securities, LLC .....	200 N. College Street, 3rd Floor Charlotte, NC 28255 .....
USBank NA .....	Wachovia Building One West Fourth Street 7th Floor Winston-Salem, NC 27101 .....
CitiBank NA .....	111 Wall Street New York, NY 10043 .....

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? ..... Yes [  ] No [  ]

16.4 If yes, give full information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? ..... Yes [  ] No [  ]

17.2 If no, list exceptions:



**SCHEDULE S - CEDED REINSURANCE**

Showing All New Reinsurance Treaties - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Location	6 Type of Reinsurance Ceded	7 Is Insurer Authorized? (Yes or No)
<b>NONE</b>						

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE HealthSpring Life & Health Insurance Company, Inc.

**SCHEDULE T - PREMIUMS AND ANNUITY CONSIDERATIONS**

Current Year To Date - Allocated by States and Territories

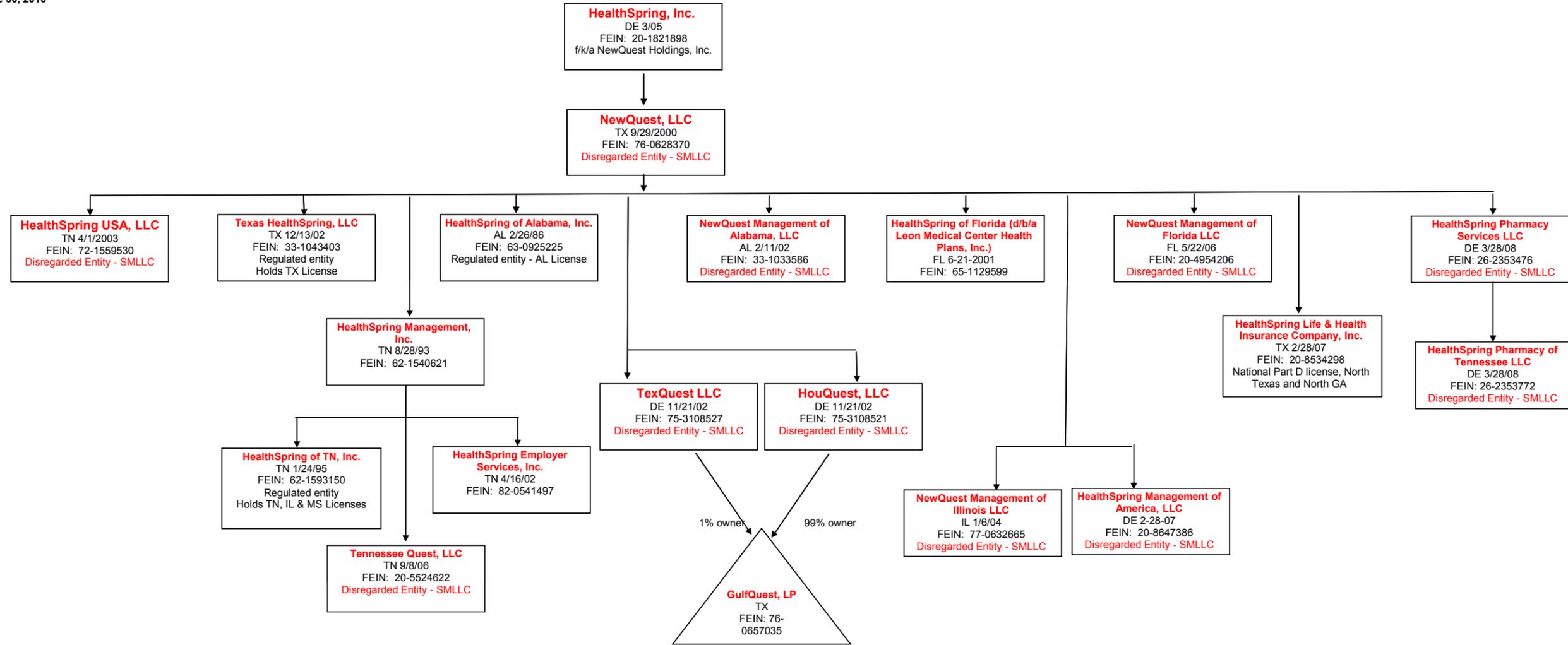
1	Direct Business Only					
	2	3	4	5	6	7
States, Etc.	Life Insurance Premiums	Annuity Considerations	Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees	Other Considerations	Total Columns 2 Through 5	Deposit-Type Contracts
1. Alabama	L		14,303,597		14,303,597	
2. Alaska	L		1,217,473		1,217,473	
3. Arizona	L		344,257		344,257	
4. Arkansas	L		1,260,976		1,260,976	
5. California	L		4,275,119		4,275,119	
6. Colorado	N		7,295,830		7,295,830	
7. Connecticut	L		5,029,253		5,029,253	
8. Delaware	L		1,171,184		1,171,184	
9. District of Columbia	L		1,469,024		1,469,024	
10. Florida	N		1,178,903		1,178,903	
11. Georgia	L		4,934,350		4,934,350	
12. Hawaii	L		2,691,429		2,691,429	
13. Idaho	L		2,103,873		2,103,873	
14. Illinois	L		31,396,041		31,396,041	
15. Indiana	L		9,250,675		9,250,675	
16. Iowa	L		4,502,119		4,502,119	
17. Kansas	L		4,148,176		4,148,176	
18. Kentucky	L		8,461,780		8,461,780	
19. Louisiana	L		13,689,275		13,689,275	
20. Maine	L		170,568		170,568	
21. Maryland	L		6,185,477		6,185,477	
22. Massachusetts	L		13,305,672		13,305,672	
23. Michigan	L		20,125,826		20,125,826	
24. Minnesota	L		5,612,407		5,612,407	
25. Mississippi	L		14,341,586		14,341,586	
26. Missouri	L		7,903,670		7,903,670	
27. Montana	L		1,319,419		1,319,419	
28. Nebraska	L		2,637,552		2,637,552	
29. Nevada	L		3,944,966		3,944,966	
30. New Hampshire	L		393,134		393,134	
31. New Jersey	L		1,327,784		1,327,784	
32. New Mexico	N		149,009		149,009	
33. New York	L		2,361,174		2,361,174	
34. North Carolina	L		2,007,359		2,007,359	
35. North Dakota	L		707,082		707,082	
36. Ohio	L		19,570,273		19,570,273	
37. Oklahoma	L		8,853,931		8,853,931	
38. Oregon	L		3,675,428		3,675,428	
39. Pennsylvania	L		882,335		882,335	
40. Rhode Island	L		1,971,542		1,971,542	
41. South Carolina	L		7,140,455		7,140,455	
42. South Dakota	L		1,075,848		1,075,848	
43. Tennessee	L		27,157,277		27,157,277	
44. Texas	L		65,366,297		65,366,297	
45. Utah	L		2,314,114		2,314,114	
46. Vermont	L		1,232,545		1,232,545	
47. Virginia	N		9,143,058		9,143,058	
48. Washington	N		10,101,125		10,101,125	
49. West Virginia	L		277,999		277,999	
50. Wisconsin	L		8,457,291		8,457,291	
51. Wyoming	N		598,780		598,780	
52. American Samoa	N		12,634		12,634	
53. Guam	N		1,590		1,590	
54. Puerto Rico	N		53,052		53,052	
55. U.S. Virgin Islands	N		661		661	
56. Northern Mariana Islands	N				0	
57. Canada	N				0	
58. Aggregate Other Aliens	XXX	0	0	0	0	0
59. Subtotal	(a) 45	0	0	369,102,254	0	369,102,254
90. Reporting entity contributions for employee benefits plans	XXX				0	
91. Dividends or refunds applied to purchase paid-up additions and annuities	XXX				0	
92. Dividends or refunds applied to shorten endowment or premium paying period	XXX				0	
93. Premium or annuity considerations waived under disability or other contract provisions	XXX				0	
94. Aggregate or other amounts not allocable by State	XXX	0	0	0	0	0
95. Totals (Direct Business)	XXX	0	0	369,102,254	0	369,102,254
96. Plus Reinsurance Assumed	XXX				0	
97. Totals (All Business)	XXX	0	0	369,102,254	0	369,102,254
98. Less Reinsurance Ceded	XXX				0	
99. Totals (All Business) less Reinsurance Ceded	XXX	0	0	369,102,254	0	369,102,254
DETAILS OF WRITE-INS						
5801.	XXX					
5802.	XXX					
5803.	XXX					
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX	0	0	0	0	0
9401.	XXX					
9402.	XXX					
9403.	XXX					
9498. Summary of remaining write-ins for Line 94 from overflow page	XXX	0	0	0	0	0
9499. Totals (Lines 9401 through 9403 plus 9498)(Line 94 above)	XXX	0	0	0	0	0

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE HealthSpring Life & Health Insurance Company, Inc.

HealthSpring, Inc. & Subsidiaries  
As of June 30, 2010



# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

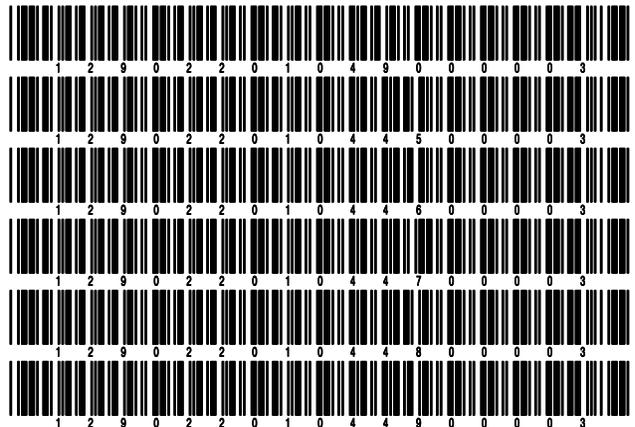
	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement? .....	NO
2. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement? .....	YES
3. Will the Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC? .....	NO
4. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC? .....	NO
5. Will the Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI be filed with the state of domicile and electronically with the NAIC? .....	NO
6. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Average Market Value) be filed with the state of domicile and electronically with the NAIC? .....	NO
7. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value) be filed with the state of domicile and electronically with the NAIC? .....	NO

Explanation:

- 1.
- 3.
- 4.
- 5.
- 6.
- 7.

Bar Code:

1. Trusteed Surplus Statement [Document Identifier 490]
3. Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV [Document Identifier 445]
4. Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV [Document Identifier 446]
5. Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI [Document Identifier 447]
6. Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI [Document Identifier 448]
7. Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value) [Document Identifier 449]



**OVERFLOW PAGE FOR WRITE-INS**

**NONE**

**SCHEDULE A - VERIFICATION**

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		
2.2 Additional investment made after acquisition .....		
3. Current year change in encumbrances .....		
4. Total gain (loss) on disposals .....		
5. Deduct amounts received on disposals .....		
6. Total foreign exchange change in book/adjusted carrying value .....		
7. Deduct current year's other than temporary impairment recognized .....		
8. Deduct current year's depreciation .....		
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8) .....		
10. Deduct total nonadmitted amounts .....		
11. Statement value at end of current period (Line 9 minus Line 10)		

**NONE**

**SCHEDULE B - VERIFICATION**

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year .....		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		
2.2 Additional investment made after acquisition .....		
3. Capitalized deferred interest and other .....		
4. Accrual of discount .....		
5. Unrealized valuation increase (decrease) .....		
6. Total gain (loss) on disposals .....		
7. Deduct amounts received on disposals .....		
8. Deduct amortization of premium and mortgage interest points and commitment fees .....		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest .....		
10. Deduct current year's other than temporary impairment recognized .....		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....		
12. Total valuation allowance .....		
13. Subtotal (Line 11 plus Line 12) .....		
14. Deduct total nonadmitted amounts .....		
15. Statement value at end of current period (Line 13 minus Line 14)		

**NONE**

**SCHEDULE BA - VERIFICATION**

Other Long-Term Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		
2.2 Additional investment made after acquisition .....		
3. Capitalized deferred interest and other .....		
4. Accrual of discount .....		
5. Unrealized valuation increase (decrease) .....		
6. Total gain (loss) on disposals .....		
7. Deduct amounts received on disposals .....		
8. Deduct amortization of premium and depreciation .....		
9. Total foreign exchange change in book/adjusted carrying value .....		
10. Deduct current year's other than temporary impairment recognized .....		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....		
12. Deduct total nonadmitted amounts .....		
13. Statement value at end of current period (Line 11 minus Line 12)		

**NONE**

**SCHEDULE D - VERIFICATION**

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	715,998	0
2. Cost of bonds and stocks acquired .....	3,015,352	728,172
3. Accrual of discount .....	(14,627)	(12,174)
4. Unrealized valuation increase (decrease) .....		0
5. Total gain (loss) on disposals .....		
6. Deduct consideration for bonds and stocks disposed of .....	703,000	
7. Deduct amortization of premium .....		0
8. Total foreign exchange change in book/adjusted carrying value .....		0
9. Deduct current year's other than temporary impairment recognized .....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	3,013,723	715,998
11. Deduct total nonadmitted amounts .....		0
12. Statement value at end of current period (Line 10 minus Line 11)	3,013,723	715,998

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE HealthSpring Life & Health Insurance Company, Inc.

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a) .....	3,721,618	3,031,671	703,000	(5,925)	3,675,228	3,721,618	6,044,364	3,681,185
2. Class 2 (a) .....	0				0	0	0	0
3. Class 3 (a) .....	0				0	0	0	0
4. Class 4 (a) .....	0				0	0	0	0
5. Class 5 (a) .....	0				0	0	0	0
6. Class 6 (a) .....	0				0	0	0	0
7. Total Bonds	3,721,618	3,031,671	703,000	(5,925)	3,675,228	3,721,618	6,044,364	3,681,185
<b>PREFERRED STOCK</b>								
8. Class 1 .....	0				0	0	0	0
9. Class 2 .....	0				0	0	0	0
10. Class 3 .....	0				0	0	0	0
11. Class 4 .....	0				0	0	0	0
12. Class 5 .....	0				0	0	0	0
13. Class 6 .....	0				0	0	0	0
14. Total Preferred Stock .....	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	3,721,618	3,031,671	703,000	(5,925)	3,675,228	3,721,618	6,044,364	3,681,185

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ ..... ; NAIC 2 \$ ..... ; NAIC 3 \$ ..... ; NAIC 4 \$ ..... ; NAIC 5 \$ ..... ; NAIC 6 \$ .....

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**SCHEDULE DA - PART 1**

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year-to-Date	5 Paid for Accrued Interest Year-to-Date
9199999 Totals	4,830,641	XXX	4,831,671	4,369	0

**SCHEDULE DA - VERIFICATION**

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	4,765,187	1,700,000
2. Cost of short-term investments acquired .....	4,604,175	12,370,133
3. Accrual of discount .....	834	1,054
4. Unrealized valuation increase (decrease) .....		0
5. Total gain (loss) on disposals .....		0
6. Deduct consideration received on disposals .....	4,538,000	9,306,000
7. Deduct amortization of premium .....	1,555	0
8. Total foreign exchange change in book/adjusted carrying value .....		0
9. Deduct current year's other than temporary impairment recognized .....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	4,830,641	4,765,187
11. Deduct total nonadmitted amounts .....		0
12. Statement value at end of current period (Line 10 minus Line 11)	4,830,641	4,765,187

Schedule DB - Part A - Verification - Options, Caps, Floors, Collars, Swaps and Forwards

**N O N E**

Schedule DB - Part B - Verification - Futures Contracts

**N O N E**

Schedule DB - Part C - Section 1 - Replication (Synthetic Asset) Transactions (RSATs) Open

**N O N E**

Schedule DB - Part C - Section 2 - Reconciliation of Replication (Synthetic Asset) Transactions Open

**N O N E**

Schedule DB - Verification - Book/Adjusted Carrying Value, Fair Value and Potential Exposure of  
Derivatives

**N O N E**

**SCHEDULE E - VERIFICATION**

(Cash Equivalents)

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	14,131,159	0
2. Cost of cash equivalents acquired .....	10,030,528	14,131,159
3. Accrual of discount .....		0
4. Unrealized valuation increase (decrease) .....		0
5. Total gain (loss) on disposals .....		0
6. Deduct consideration received on disposals .....	14,131,159	0
7. Deduct amortization of premium .....		0
8. Total foreign exchange change in book/adjusted carrying value .....		0
9. Deduct current year's other than temporary impairment recognized .....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	10,030,528	14,131,159
11. Deduct total nonadmitted amounts .....		0
12. Statement value at end of current period (Line 10 minus Line 11)	10,030,528	14,131,159

Schedule A - Part 2 - Real Estate Acquired and Additions Made

**N O N E**

Schedule A - Part 3 - Real Estate Disposed

**N O N E**

Schedule B - Part 2 - Mortgage Loans Acquired

**N O N E**

Schedule B - Part 3 - Mortgage Loans Disposed, Transferred or Repaid

**N O N E**

Schedule BA - Part 2 - Other Long-Term Invested Assets Acquired

**N O N E**

Schedule BA - Part 3 - Other Long-Term Invested Assets Disposed, Transferred or Repaid

**N O N E**

Schedule D - Part 3 - Long-Term Bonds and Stocks Acquired

**N O N E**

Schedule D - Part 4 - Long-Term Bonds and Stocks Sold, Redeemed or Otherwise Disposed Of

**N O N E**

Schedule DB - Part A - Section 1 - Options, Caps, Floors, Collars, Swaps and Forwards Open

**N O N E**

Schedule DB - Part B - Section 1 - Futures Contracts Open

**N O N E**

Schedule DB - Part B - Section 1B - Brokers with whom cash deposits have been made

**N O N E**

Schedule DB - Part D - Counterparty Exposure for Derivative Instruments Open

**N O N E**







SUPPLEMENT FOR THE QUARTER ENDING SEPTEMBER 30, 2010 OF THE HealthSpring Life & Health Insurance Company, Inc.

## MEDICARE PART D COVERAGE SUPPLEMENT

(Net of Reinsurance)

NAIC Group Code 3477

NAIC Company Code 12902

	Individual Coverage		Group Coverage		5 Total Cash
	1 Insured	2 Uninsured	3 Insured	4 Uninsured	
1. Premiums Collected .....	326,931,620	XXX		XXX	326,931,620
2. Earned Premiums .....	338,305,593	XXX		XXX	XXX
3. Claims Paid .....	346,371,579	XXX		XXX	346,371,579
4. Claims Incurred .....	308,233,927	XXX		XXX	XXX
5. Reinsurance Coverage and Low Income Cost Sharing - Claims Paid Net of Reimbursements Applied (a) .....	XXX		XXX		0
6. Aggregate Policy Reserves - Change .....		XXX		XXX	XXX
7. Expenses Paid .....	34,066,304	XXX		XXX	34,066,304
8. Expenses Incurred .....	34,066,442	XXX		XXX	XXX
9. Underwriting Gain or Loss .....	(3,994,776)	XXX	0	XXX	XXX
10. Cash Flow Result .....	XXX	XXX	XXX	XXX	(53,506,263)

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$ .....23,561,874 due from CMS or \$ ..... due to CMS