



**ANNUAL STATEMENT**  
**FOR THE YEAR ENDING DECEMBER 31, 2009**  
 OF THE CONDITION AND AFFAIRS OF THE

**Humana Health Plan, Inc.**

NAIC Group Code 0119 , 0119 NAIC Company Code 95885 Employer's ID Number 61-1013183  
(Current Period) (Prior Period)

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

Country of Domicile United States

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ]  
 Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [ X ]  
 Other [ ] Is HMO, Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized 08/23/1982 Commenced Business 09/23/1983

Statutory Home Office 321 West Main Street - 12th Floor , Louisville, KY 40202  
(Street and Number) (City, State and Zip Code)

Main Administrative Office 321 West Main Street - 12th Floor  
(Street and Number)  
Louisville, KY 40202 502-580-1000  
(City, State and Zip Code) (Area Code) (Telephone Number)

Mail Address P.O. Box 740036 , Louisville, KY 40201-7436  
(Street and Number or P.O. Box) (City, State and Zip Code)

Primary Location of Books and Records 321 West Main Street - 12th Floor  
(Street and Number)  
Louisville, KY 40202 502-580-1000  
(City, State and Zip Code) (Area Code) (Telephone Number) (Extension)

Internet Web Site Address www.humana.com

Statutory Statement Contact Abby Goodloe , 502-580-1632  
(Name) (Area Code) (Telephone Number) (Extension)  
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**OFFICERS**

<u>Michael Benedict McCallister</u> , <u>President &amp; CEO</u>	<u>Joan Olliges Lenahan</u> , <u>VP &amp; Corporate Secretary</u>
<u>James Harry Bloem</u> , <u>Sr. VP, CFO &amp; Treasurer</u>	<u>Frank Murray Amrine</u> , <u>Appointed Actuary</u>

**OTHER OFFICERS**

<u>Randa Lynn Anderson-Stice</u> , <u>Reg.Pres. - Sr. Prod/Central Reg.</u>	<u>George Grant Bauernfeind</u> , <u>Vice President</u>
<u>Jeffrey Bergin Bringardner</u> , <u>Market President - Kentucky</u>	<u>John Ellis Brown</u> , <u>VP - Medicare Service Operations</u>
<u>John Gregory Catron</u> , <u>Vice President</u>	<u>Peter James Edwards</u> , <u>VP &amp; Div. Leader - Eastern Div.</u>
<u>Mark Sobhi El-Tawil</u> , <u>Market President - Arizona</u>	<u>Mark Jason Fehring</u> , <u>Regional VP - Finance</u>
<u>Gary Edward Goldstein M.D.</u> , <u>VP &amp; Div. Leader - Central Div.</u>	<u>Deborah Ann Gracey</u> , <u>Reg.Pres.-Sr.Prod/Great Lakes</u>
<u>Robert Todd Hitchcock</u> , <u>VP &amp; Div. Leader - Western Div.</u>	<u>Michael Allen Kasper</u> , <u>Market President - Chicago</u>
<u>Mark Everett Kiffer D.O.</u> , <u>Mkt VP/CMO - Sr Prod/Phoenix</u>	<u>Paul Francis Kraemer</u> , <u>Regional CEO - East</u>
<u>Thomas Joseph Liston</u> , <u>Sr. Vice President - Sr. Prod.</u>	<u>Clarence Evans Looney</u> , <u>Market President - Tennessee</u>
<u>Kenneth Scott Malcolmson</u> , <u>Regional CEO</u>	<u>Heidi Suzanne Margulis</u> , <u>Sr. Vice President</u>
<u>Veronica Lynn Martin</u> , <u>Market President - Indianapolis</u>	<u>Kevin Ross Meriwether</u> , <u>Reg. President - Sr. Prod/East</u>
<u>Paul Phillip Moore</u> , <u>Reg. CEO - West</u>	<u>Khalid Nazir #</u> , <u>Vice President</u>
<u>Daniel Joseph Oftedahl</u> , <u>Market President - Colorado</u>	<u>Kathleen Stephenson Pellegrino</u> , <u>Vice President &amp; Asst. Secretary</u>
<u>George Renaudin</u> , <u>VP &amp; Div. Leader - Southern Div.</u>	<u>Oraida Maria Roman</u> , <u>Reg. Pres. - Sr. Prod./Nevada</u>
<u>Larry Dale Savage</u> , <u>Regional CEO</u>	<u>Debra Anne Smith</u> , <u>Reg. President - Sr. Prod/West</u>
<u>William Joseph Tait</u> , <u>Vice President</u>	<u>Gary Dean Thompson</u> , <u>Vice President</u>
<u>Melissa Louise Weaver M.D. #</u> , <u>Vice President</u>	<u>Timothy Alan Wheatley</u> , <u>VP - Sr. Products/Finance</u>
<u>Ralph Martin Wilson</u> , <u>Vice President</u>	

**DIRECTORS OR TRUSTEES**

<u>Michael Benedict McCallister</u> , <u>James Elmer Murray</u> , <u>Melissa Louise Weaver M.D. #</u>
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State of \_\_\_\_\_ Kentucky \_\_\_\_\_

SS

County of \_\_\_\_\_ Jefferson \_\_\_\_\_

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 Benedict McCallister  
President & CEO

\_\_\_\_\_  
Joan Olliges Lenahan  
VP & Corporate Secretary

\_\_\_\_\_  
James Harry Bloem  
Sr. VP, CFO & Treasurer

Subscribed and sworn to before me this  
\_\_\_\_ 17th \_\_\_\_ day of \_\_\_\_ February, 2010

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 \_\_\_\_\_

\_\_\_\_\_  
Myra Carpenter Notary Public  
August 9, 2013

**ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	156,905,495		156,905,495	230,876,108
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	0		0	1,564,160
2.2 Common stocks .....	26,798,974		26,798,974	37,611,933
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....	27,600,000		27,600,000	27,600,000
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....	121,387		121,387	190,000
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ ..... (4,401,845) , Schedule E-Part 1), cash equivalents (\$ .....126,998,169 , Schedule E-Part 2) and short-term investments (\$ .....12,070,034 , Schedule DA).....	134,666,358		134,666,358	19,004,337
6. Contract loans (including \$ .....premium notes)			0	0
7. Other invested assets (Schedule BA) .....	0	0	0	0
8. Receivables for securities .....			0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	346,092,214	0	346,092,214	316,846,538
11. Title plants less \$ .....charged off (for Title insurers only) .....			0	0
12. Investment income due and accrued .....	1,620,053		1,620,053	2,294,340
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	11,941,241	251,900	11,689,341	12,867,949
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premium).....			0	0
13.3 Accrued retrospective premiums.....	12,584,048		12,584,048	10,741,291
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			0	0
14.2 Funds held by or deposited with reinsured companies .....			0	0
14.3 Other amounts receivable under reinsurance contracts .....			0	0
15. Amounts receivable relating to uninsured plans .....	8,165,286	59,880	8,105,406	6,129,947
16.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
16.2 Net deferred tax asset.....	84,485,518	72,745,212	11,740,306	25,830,135
17. Guaranty funds receivable or on deposit .....			0	0
18. Electronic data processing equipment and software.....	543,695	54,529	489,166	797,197
19. Furniture and equipment, including health care delivery assets (\$ .....)	2,583,600	2,583,600	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
21. Receivables from parent, subsidiaries and affiliates .....	7,512,841		7,512,841	27,360
22. Health care (\$ .....6,822,832 ) and other amounts receivable.....	8,976,717	3,382,509	5,594,208	7,335,250
23. Aggregate write-ins for other than invested assets .....	155,511,643	155,511,643	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	640,016,856	234,589,273	405,427,583	382,870,007
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	640,016,856	234,589,273	405,427,583	382,870,007
<b>DETAILS OF WRITE-INS</b>				
0901. ....			0	
0902. ....			0	
0903. ....			0	
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) .....	0	0	0	0
2301. Intangible Asset Related to Acquired Membership.....	154,321,370	154,321,370	0	0
2302. Prepaid Commissions.....	700,052	700,052	0	0
2303. Prepaid Expenses.....	446,515	446,515	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	43,706	43,706	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	155,511,643	155,511,643	0	0

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ .....9,401,628 reinsurance ceded)	147,296,371	5,553,725	152,850,096	124,319,649
2. Accrued medical incentive pool and bonus amounts	1,987,544		1,987,544	24,868,869
3. Unpaid claims adjustment expenses	2,827,095		2,827,095	2,901,813
4. Aggregate health policy reserves	27,960,947		27,960,947	29,065,239
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves	604,218	22,782	627,000	185,500
8. Premiums received in advance	17,888,474		17,888,474	13,998,574
9. General expenses due or accrued	10,098,459		10,098,459	8,083,947
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates			0	0
16. Payable for securities			0	0
17. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans	8,999,147		8,999,147	719,517
21. Aggregate write-ins for other liabilities (including \$ .....6,573,807 current)	6,573,807	0	6,573,807	1,458,368
22. Total liabilities (Lines 1 to 21)	224,236,062	5,576,507	229,812,569	205,601,476
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	2,248,000	2,248,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	414,118,594	414,118,594
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	(240,751,580)	(239,098,063)
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24 \$ ..... )	XXX	XXX		0
30.2 ..... shares preferred (value included in Line 25 \$ ..... )	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	175,615,014	177,268,531
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	405,427,583	382,870,007
<b>DETAILS OF WRITE-INS</b>				
2101. Miscellaneous Liability	3,688,217		3,688,217	1,312,706
2102. Medicare Risk Adjustment Payable	2,885,590		2,885,590	
2103. Securities lending Payable			0	145,662
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	6,573,807	0	6,573,807	1,458,368
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. ....	XXX	XXX		
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

**ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.**

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	4,688,908	4,523,947
2. Net premium income (including \$ .....0 non-health premium income).....	XXX	1,767,233,548	1,663,593,692
3. Change in unearned premium reserves and reserve for rate credits.....	XXX	(19,089)	(42,115)
4. Fee-for-service (net of \$ .....0 medical expenses).....	XXX		.0
5. Risk revenue.....	XXX		.0
6. Aggregate write-ins for other health care related revenues.....	XXX	.0	.0
7. Aggregate write-ins for other non-health revenues.....	XXX	.0	.0
8. Total revenues (Lines 2 to 7).....	XXX	1,767,214,459	1,663,551,577
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....	52,199,501	1,336,079,607	1,270,841,419
10. Other professional services.....		30,723,282	6,146,993
11. Outside referrals.....			.0
12. Emergency room and out-of-area.....	4,186,185	41,973,734	40,730,872
13. Prescription drugs.....		185,191,073	174,582,478
14. Aggregate write-ins for other hospital and medical.....	.0	.0	.0
15. Incentive pool, withhold adjustments and bonus amounts.....		1,768,284	45,514,883
16. Subtotal (Lines 9 to 15).....	56,385,686	1,595,735,980	1,537,816,645
<b>Less:</b>			
17. Net reinsurance recoveries.....		81,515,627	95,923,641
18. Total hospital and medical (Lines 16 minus 17).....	56,385,686	1,514,220,353	1,441,893,004
19. Non-health claims (net).....			.0
20. Claims adjustment expenses, including \$ .....5,699,154 cost containment expenses.....		36,956,531	36,887,095
21. General administrative expenses.....		219,225,645	219,548,685
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only).....		(3,404,454)	(5,196,343)
23. Total underwriting deductions (Lines 18 through 22).....	56,385,686	1,766,998,075	1,693,132,441
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	216,384	(29,580,864)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		10,411,095	14,169,992
26. Net realized capital gains (losses) less capital gains tax of \$ .....(434,217).....		(806,402)	(661,830)
27. Net investment gains (losses) (Lines 25 plus 26).....	.0	9,604,693	13,508,162
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ .....0 ) (amount charged off \$ ..... )].....			.0
29. Aggregate write-ins for other income or expenses.....	.0	(18,287,474)	191,616
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	(8,466,397)	(15,881,086)
31. Federal and foreign income taxes incurred.....	XXX	435,589	(1,804,758)
32. Net income (loss) (Lines 30 minus 31).....	XXX	(8,901,986)	(14,076,328)
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	XXX	0	0
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX	.0	.0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above).....	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	.0	.0	.0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above).....	0	0	0
2901. Miscellaneous Income.....		234,331	191,616
2902. Amortization Expense.....		(18,521,805)	.0
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.0	.0	.0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above).....	0	(18,287,474)	191,616

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1 Current Year	2 Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
33. Capital and surplus prior reporting year .....	177,268,531	146,285,563
34. Net income or (loss) from Line 32 .....	(8,901,986)	(14,076,328)
35. Change in valuation basis of aggregate policy and claim reserves .....	0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ ..... 924,721	1,717,339	(2,064,879)
37. Change in net unrealized foreign exchange capital gain or (loss) .....	0	0
38. Change in net deferred income tax .....	(33,560,812)	99,696,321
39. Change in nonadmitted assets .....	51,466,812	(277,572,147)
40. Change in unauthorized reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles .....	0	0
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend) .....	0	0
44.3 Transferred to surplus .....	0	0
45. Surplus adjustments:		
45.1 Paid in .....	0	225,000,000
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....	0	0
46. Dividends to stockholders .....	0	0
47. Aggregate write-ins for gains or (losses) in surplus .....	(12,374,870)	0
48. Net change in capital & surplus (Lines 34 to 47) .....	(1,653,517)	30,982,968
49. Capital and surplus end of reporting period (Line 33 plus 48)	175,615,014	177,268,531
<b>DETAILS OF WRITE-INS</b>		
4701. Correction of prior period error - amortization expense .....	(12,374,870)	0
4702. ....	0	0
4703. ....	0	0
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(12,374,870)	0

## CASH FLOW

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	1,772,069,395	1,646,569,272
2. Net investment income	12,246,776	16,103,793
3. Miscellaneous income		0
4. Total (Lines 1 through 3)	1,784,316,171	1,662,673,065
5. Benefit and loss related payments	1,541,756,529	1,448,125,237
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0
7. Commissions, expenses paid and aggregate write-ins for deductions	229,254,312	218,458,431
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) net of \$ (434,217) tax on capital gains (losses)	1,373	(2,161,128)
10. Total (Lines 5 through 9)	1,771,012,214	1,664,422,540
11. Net cash from operations (Line 4 minus Line 10)	13,303,957	(1,749,475)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	149,369,935	260,158,010
12.2 Stocks	13,166,644	547,970,851
12.3 Mortgage loans		0
12.4 Real estate		0
12.5 Other invested assets		0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(969)	8,709
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	162,535,610	808,137,570
13. Cost of investments acquired (long-term only):		
13.1 Bonds	75,340,812	266,588,001
13.2 Stocks		561,496,807
13.3 Mortgage loans		0
13.4 Real estate		0
13.5 Other invested assets		0
13.6 Miscellaneous applications		0
13.7 Total investments acquired (Lines 13.1 to 13.6)	75,340,812	828,084,808
14. Net increase (decrease) in contract loans and premium notes		0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	87,194,798	(19,947,238)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		0
16.2 Capital and paid in surplus, less treasury stock		225,000,000
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	12,374,870	0
16.6 Other cash provided (applied)	27,538,136	(187,190,712)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	15,163,266	37,809,288
<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 Line 15 plus Line 17)	115,662,021	16,112,575
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	19,004,337	2,891,762
19.2 End of year (Line 18 plus Line 19.1)	134,666,358	19,004,337

**ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.**

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	1,767,233,548	708,856,701	0	0	0	103,899,890	954,476,957	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	(19,089)	(19,089)								
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,767,214,459	708,837,612	0	0	0	103,899,890	954,476,957	0	0	0
8. Hospital/medical benefits	1,336,079,608	578,803,610	3,512			79,810,463	677,244,604		217,419	XXX
9. Other professional services	30,723,282	13,309,727				1,835,249	15,573,306		5,000	XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	41,973,733	18,183,569				2,507,293	21,276,041		6,830	XXX
12. Prescription drugs	185,191,074	80,227,190				11,062,354	93,871,394		30,136	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	1,768,284	4,087					1,764,197			XXX
15. Subtotal (Lines 8 to 14)	1,595,735,981	690,528,183	3,512	0	0	95,215,359	809,729,542	0	259,385	XXX
16. Net reinsurance recoveries	81,515,627	78,430,781	3,512			3,081,334				XXX
17. Total hospital and medical (Lines 15 minus 16)	1,514,220,354	612,097,402	0	0	0	92,134,025	809,729,542	0	259,385	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 5,699,154 cost containment expenses	36,956,531	15,064,227				2,123,463	19,762,510		6,331	
20. General administrative expenses	219,225,645	105,642,179				15,539,519	112,909,788		(14,865,841)	
21. Increase in reserves for accident and health contracts	(3,404,454)	(3,404,454)								XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,766,998,076	729,399,354	0	0	0	109,797,007	942,401,840	0	(14,600,125)	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	216,383	(20,561,742)	0	0	0	(5,897,117)	12,075,117	0	14,600,125	0
<b>DETAILS OF WRITE-INS</b>										
0501.	0									XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....	841,556,982		132,700,281	708,856,701
2. Medicare Supplement .....	9,232		9,232	0
3. Dental Only.....				0
4. Vision Only.....				0
5. Federal Employees Health Benefits Plan .....	107,371,182		3,471,292	103,899,890
6. Title XVIII - Medicare .....	954,476,957			954,476,957
7. Title XIX - Medicaid.....				0
8. Other health.....				0
9. Health subtotal (Lines 1 through 8) .....	1,903,414,353	0	136,180,805	1,767,233,548
10. Life .....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11)	1,903,414,353	0	136,180,805	1,767,233,548

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 – CLAIMS INCURRED DURING THE YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct	1,564,016,881	694,791,221	3,801			96,200,063	772,762,411		259,385	
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	80,536,757	77,470,012	3,801			3,062,944				
1.4 Net	1,483,480,124	617,321,209	0	0	0	93,137,119	772,762,411	0	259,385	0
2. Paid medical incentive pools and bonuses	24,649,613	11,351,309				1,645,067	11,653,237			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	162,251,724	73,303,440	568	0	0	9,956,160	78,991,556	0	0	0
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	9,401,628	9,103,511	568	0	0	297,549	0	0	0	0
3.4 Net	152,850,096	64,199,929	0	0	0	9,658,611	78,991,556	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	723,000	410,899				49,601	262,500			
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	96,000	92,962	0	0	0	3,038	0	0	0	0
4.4 Net	627,000	317,937	0	0	0	46,563	262,500	0	0	0
5. Accrued medical incentive pools and bonuses, current year	1,987,540	34,205					1,953,335			
6. Net healthcare receivables (a)	0									
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	132,838,408	77,838,219	857	0	0	10,948,210	44,051,122	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	8,518,760	8,235,705	857	0	0	282,198	0	0	0	0
8.4 Net	124,319,648	69,602,514	0	0	0	10,666,012	44,051,122	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	185,500	143,245	0	0	0	42,255	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	185,500	143,245	0	0	0	42,255	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	24,868,869	11,381,427	0	0	0	1,645,067	11,842,375	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct	1,593,967,697	690,524,096	3,512	0	0	95,215,359	807,965,345	0	259,385	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	81,515,625	78,430,780	3,512	0	0	3,081,333	0	0	0	0
12.4 Net	1,512,452,072	612,093,316	0	0	0	92,134,026	807,965,345	0	259,385	0
13. Incurred medical incentive pools and bonuses	1,768,284	4,087	0	0	0	0	1,764,197	0	0	0

(a) Excludes \$ ..... 1,500,000 loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct .....	54,610,480	28,470,486				3,506,655	22,633,339			
1.2. Reinsurance assumed .....	0									
1.3. Reinsurance ceded .....	5,720,195	5,573,780				146,415				
1.4. Net .....	48,890,285	22,896,706	0	0	0	3,360,240	22,633,339	0	0	0
2. Incurred but Unreported:										
2.1. Direct .....	75,556,357	42,695,936	568			6,449,505	26,410,348			
2.2. Reinsurance assumed .....	0									
2.3. Reinsurance ceded .....	3,681,433	3,529,731	568			151,134				
2.4. Net .....	71,874,924	39,166,205	0	0	0	6,298,371	26,410,348	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct .....	32,084,887	2,137,018					29,947,869			
3.2. Reinsurance assumed .....	0									
3.3. Reinsurance ceded .....	0									
3.4. Net .....	32,084,887	2,137,018	0	0	0	0	29,947,869	0	0	0
4. TOTALS:										
4.1. Direct .....	162,251,724	73,303,440	568	0	0	9,956,160	78,991,556	0	0	0
4.2. Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded .....	9,401,628	9,103,511	568	0	0	297,549	0	0	0	0
4.4. Net .....	152,850,096	64,199,929	0	0	0	9,658,611	78,991,556	0	0	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE**

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....	65,018,629	552,302,580	1,958,186	62,559,679	66,976,815	69,745,759
2. Medicare Supplement .....					0	0
3. Dental Only .....					0	0
4. Vision Only .....					0	0
5. Federal Employees Health Benefits Plan .....	6,421,818	86,715,301	342,383	9,362,791	6,764,201	10,708,268
6. Title XVIII - Medicare .....	41,422,730	731,339,681	1,976,745	77,277,312	43,399,475	44,051,122
7. Title XIX - Medicaid .....					0	0
8. Other health .....		259,385			0	0
9. Health subtotal (Lines 1 to 8).....	112,863,177	1,370,616,947	4,277,314	149,199,782	117,140,491	124,505,149
10. Healthcare receivables (a).....					0	0
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts .....		24,649,613		1,987,540	0	24,868,869
13. Totals (Lines 9-10+11+12)	112,863,177	1,395,266,560	4,277,314	151,187,322	117,140,491	149,374,018

(a) Excludes \$ .....1,500,000 loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A – Paid Health Claims - Hospital and Medical**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	99,361	99,476	99,296	99,296	99,296
2. 2005	672,812	735,283	734,066	734,066	734,666
3. 2006	XXX	565,407	619,413	618,302	618,302
4. 2007	XXX	XXX	543,518	599,691	598,540
5. 2008	XXX	XXX	XXX	603,394	669,564
6. 2009	XXX	XXX	XXX	XXX	563,654

**Section B – Incurred Health Claims - Hospital and Medical**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	105,556	99,738	99,296	99,296	99,296
2. 2005	753,954	739,523	734,468	734,066	734,066
3. 2006	XXX	639,239	622,219	618,477	618,302
4. 2007	XXX	XXX	612,722	602,141	598,661
5. 2008	XXX	XXX	XXX	1,316,449	671,402
6. 2009	XXX	XXX	XXX	XXX	1,395,267

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	885,340	734,666	16,149	2.2	750,815	84.8			750,815	84.8
2. 2006	735,338	618,302	13,603	2.2	631,905	85.9			631,905	85.9
3. 2007	695,750	598,540	13,168	2.2	611,708	87.9	121	3	611,832	87.9
4. 2008	761,356	669,564	14,730	2.2	684,294	89.9	1,838	40	686,172	90.1
5. 2009	708,857	563,654	12,400	2.2	576,054	81.3	62,593	1,126	639,773	90.3

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	10,697	10,701	10,701	10,701	10,701
2. 2005 .....	107,579	115,590	115,804	115,804	115,804
3. 2006 .....	XXX	94,494	105,603	106,468	106,468
4. 2007 .....	XXX	XXX	78,893	84,582	84,582
5. 2008 .....	XXX	XXX	XXX	85,815	92,237
6. 2009 .....	XXX	XXX	XXX	XXX	88,360

**Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	11,498	10,732	10,701	10,701	10,701
2. 2005 .....	118,716	116,278	115,855	115,804	115,804
3. 2006 .....	XXX	105,254	106,150	106,508	106,468
4. 2007 .....	XXX	XXX	89,704	85,144	84,611
5. 2008 .....	XXX	XXX	XXX	97,566	92,550
6. 2009 .....	XXX	XXX	XXX	XXX	97,723

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005 .....	136,971	115,804	2,548	2.2	118,352	86.4			118,352	86.4
2. 2006 .....	120,485	106,468	2,342	2.2	108,810	90.3			108,810	90.3
3. 2007 .....	107,307	84,582	1,861	2.2	86,443	80.6	29	1	86,473	80.6
4. 2008 .....	110,046	92,237	2,029	2.2	94,266	85.7	313	7	94,586	86.0
5. 2009 .....	103,900	88,360	1,944	2.2	90,304	86.9	9,363	167	99,834	96.1

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Medicare**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	38,244	39,650	39,686	39,686	39,686
2. 2005	475,150	508,219	508,331	508,331	508,331
3. 2006	XXX	467,295	499,389	499,185	499,185
4. 2007	XXX	XXX	449,258	479,944	479,845
5. 2008	XXX	XXX	XXX	627,021	668,543
6. 2009	XXX	XXX	XXX	XXX	742,993

**Section B - Incurred Health Claims - Medicare**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	40,148	39,848	39,686	39,686	39,686
2. 2005	518,199	510,184	508,632	508,331	508,331
3. 2006	XXX	511,088	501,327	499,353	499,185
4. 2007	XXX	XXX	485,170	481,649	480,165
5. 2008	XXX	XXX	XXX	681,041	670,200
6. 2009	XXX	XXX	XXX	XXX	822,224

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	618,416	508,331	11,183	2.2	519,514	84.0			519,514	84.0
2. 2006	634,783	499,185	10,982	2.2	510,167	80.4			510,167	80.4
3. 2007	610,110	479,845	10,557	2.2	490,402	80.4	320	7	490,729	80.4
4. 2008	792,191	668,543	14,708	2.2	683,251	86.2	1,657	36	684,944	86.5
5. 2009	954,477	742,993	16,346	2.2	759,339	79.6	79,230	1,436	840,005	88.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)

**Section A - Paid Health Claims - Title XIX Medicaid**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	3,212	3,295	3,296	3,296	3,296
2. 2005 .....	14,147	14,480	14,432	14,432	14,432
3. 2006 .....	XXX	693	693	693	693
4. 2007 .....	XXX	XXX	99	99	99
5. 2008 .....	XXX	XXX	XXX	0	0
6. 2009 .....	XXX	XXX	XXX	XXX	XXX

**Section B – Incurred Health Claims - Title XIX Medicaid**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	3,212	3,297	3,296	3,296	3,296
2. 2005 .....	14,815	14,529	14,432	14,432	14,432
3. 2006 .....	XXX	693	693	693	693
4. 2007 .....	XXX	XXX	99	99	99
5. 2008 .....	XXX	XXX	XXX	XXX	XXX
6. 2009 .....	XXX	XXX	XXX	XXX	XXX

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005 .....	15,459	14,432	318	2.2	14,750	95.4			14,750	95.4
2. 2006 .....	67	693	15	2.2	708	1,056.7			708	1,056.7
3. 2007 .....	0	99	2	2.0	101	0.0			101	0.0
4. 2008 .....	0	0	0	0.0	0	0.0			0	0.0
5. 2009 .....	0	0	0	0.0	0	0.0			0	0.0

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

#### Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	.0	.0	.0	.0	.0
2. 2005 .....	.0	.0	.0	.0	.0
3. 2006 .....	XXX	.0	.0	.0	.0
4. 2007 .....	XXX	XXX	.0	.0	(11)
5. 2008 .....	XXX	XXX	XXX	.0	219
6. 2009 .....	XXX	XXX	XXX	XXX	259

#### Section B – Incurred Health Claims - Other

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....					
2. 2005 .....					
3. 2006 .....	XXX				
4. 2007 .....	XXX	XXX			
5. 2008 .....	XXX	XXX	XXX	.30	(11)
6. 2009 .....	XXX	XXX	XXX	XXX	259

#### Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Other

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005 .....	.0	.0		.0	.0	.0			.0	.0
2. 2006 .....	.0	.0		.0	.0	.0			.0	.0
3. 2007 .....	.0	(11)		.0	(11)	.0	.11	.0	.0	.0
4. 2008 .....	.0	219	.5	2.3	224	.0	(230)	(5)	(11)	.0
5. 2009 .....		259	.6	2.3	265	.0	219	.9	493	.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Grand Total**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	151,514	153,122	152,979	152,979	152,979
2. 2005 .....	1,269,688	1,373,572	1,372,633	1,372,633	1,373,233
3. 2006 .....	XXX	1,127,889	1,225,098	1,224,648	1,224,648
4. 2007 .....	XXX	XXX	1,071,768	1,164,316	1,163,055
5. 2008 .....	XXX	XXX	XXX	1,316,230	1,430,563
6. 2009 .....	XXX	XXX	XXX	XXX	1,395,266

**Section B - Incurred Health Claims - Grand Total**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	160,414	153,615	152,979	152,979	152,979
2. 2005 .....	1,405,684	1,380,514	1,373,387	1,372,633	1,372,633
3. 2006 .....	XXX	1,256,274	1,230,389	1,225,031	1,224,648
4. 2007 .....	XXX	XXX	1,187,695	1,169,033	1,163,536
5. 2008 .....	XXX	XXX	XXX	2,095,086	1,434,141
6. 2009 .....	XXX	XXX	XXX	XXX	2,315,473

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005 .....	1,656,186	1,373,233	30,198	2.2	1,403,431	84.7	0	0	1,403,431	84.7
2. 2006 .....	1,490,673	1,224,648	26,942	2.2	1,251,590	84.0	0	0	1,251,590	84.0
3. 2007 .....	1,413,167	1,163,055	25,588	2.2	1,188,643	84.1	481	11	1,189,135	84.1
4. 2008 .....	1,663,594	1,430,563	31,472	2.2	1,462,035	87.9	3,578	78	1,465,691	88.1
5. 2009 .....	1,767,234	1,395,266	30,696	2.2	1,425,962	80.7	151,405	2,738	1,580,105	89.4

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves	233,690	233,663	27						
2. Additional policy reserves (a)	22,420,642	22,060,644	(2)				360,000		
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... ) for investment income	5,306,640						5,306,640		
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	27,960,972	22,294,307	25	0	0	0	5,666,640	0	0
7. Reinsurance ceded	0								
8. Totals (Net) (Page 3, Line 4)	27,960,972	22,294,307	25	0	0	0	5,666,640	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	198,000	174,654				23,346			
11. Aggregate write-ins for other claim reserves	525,000	236,245	0	0	0	26,255	262,500	0	0
12. Totals (Gross)	723,000	410,899	0	0	0	49,601	262,500	0	0
13. Reinsurance ceded	96,000	92,962				3,038			
14. Totals (Net) (Page 3, Line 7)	627,000	317,937	0	0	0	46,563	262,500	0	0
<b>DETAILS OF WRITE-INS</b>									
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. H1N1 Flu Reserve	525,000	236,245				26,255	262,500		
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	525,000	236,245	0	0	0	26,255	262,500	0	0

(a) Includes \$ .....22,260,000 premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administration Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ ..... for occupancy of own building).....	331,919	1,820,430	9,751,258	2,808	11,906,415
2. Salaries, wages and other benefits.....	3,360,050	18,428,412	137,298,043	36,745	159,123,250
3. Commissions (less \$ ..... ceded plus \$ ..... assumed.....)			53,175,658		53,175,658
4. Legal fees and expenses.....			1,786,935		1,786,935
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....					0
7. Traveling expenses.....			6,581		6,581
8. Marketing and advertising.....			9,637,442		9,637,442
9. Postage, express and telephone.....	337,162	1,849,186	6,555,560	2,852	8,744,760
10. Printing and office supplies.....			77,214		77,214
11. Occupancy, depreciation and amortization.....	55,738	305,697	1,590,274	471	1,952,180
12. Equipment.....			632,017		632,017
13. Cost or depreciation of EDP equipment and software.....	583,080	3,197,942	18,045,481	4,932	21,831,435
14. Outsourced services including EDP, claims, and other services.....	1,031,205	5,655,710	33,622,461	8,723	40,318,099
15. Boards, bureaus and association fees.....					0
16. Insurance, except on real estate.....			2,432,719		2,432,719
17. Collection and bank service charges.....					0
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....			(68,908,978)		(68,908,978)
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....			1,135,372		1,135,372
22. Real estate taxes.....			(22,257)		(22,257)
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....			(879,082)		(879,082)
23.3 Regulatory authority licenses and fees.....			1,925,497		1,925,497
23.4 Payroll taxes.....			3,434,190		3,434,190
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....			576,074		576,074
25. Aggregate write-ins for expenses.....	0	0	7,353,186	0	7,353,186
26. Total expenses incurred (Lines 1 to 25).....	5,699,154	31,257,377	219,225,645	56,531 <sup>(a)</sup>	256,238,707
27. Less expenses unpaid December 31, current year.....		2,827,094	10,098,459		12,925,553
28. Add expenses unpaid December 31, prior year.....	0	2,901,813	8,083,947	0	10,985,760
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	6,129,947	0	6,129,947
30. Amounts receivable relating to uninsured plans, current year.....			8,105,405		8,105,405
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	5,699,154	31,332,096	219,186,591	56,531	256,274,372
<b>DETAIL OF WRITE-INS</b>					
2501. Miscellaneous Admin Expenses.....			7,353,186		7,353,186
2502. ....					0
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	0	0	7,353,186	0	7,353,186

(a) Includes management fees of \$ .....236,155,312 to affiliates and \$ ..... to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,935,025	1,746,372
1.1 Bonds exempt from U.S. tax	(a) 1,731,009	1,559,942
1.2 Other bonds (unaffiliated)	(a) 5,994,786	5,832,161
1.3 Bonds of affiliates	(a) 0	0
2.1 Preferred stocks (unaffiliated)	(b) 68,911	68,911
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	58,169	58,169
2.21 Common stocks of affiliates	0	0
3. Mortgage loans	(c) 759,346	759,346
4. Real estate	(d) 383,729	383,729
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 135,115	135,261
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	29,283	29,283
10. Total gross investment income	11,095,373	10,573,174
11. Investment expenses		(g) 48,207
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 8,324
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i) 105,548
15. Aggregate write-ins for deductions from investment income		0
16. Total deductions (Lines 11 through 15)		162,079
17. Net investment income (Line 10 minus Line 16)		10,411,095
<b>DETAILS OF WRITE-INS</b>		
0901. Securities Lending Income	33,233	33,233
0902. Miscellaneous Investment Expense	(3,950)	(3,950)
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	29,283	29,283
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

(a) Includes \$ 101,782 accrual of discount less \$ 1,158,967 amortization of premium and less \$ 259,834 paid for accrued interest on purchases.  
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ 0 paid for accrued dividends on purchases.  
 (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.  
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.  
 (e) Includes \$ 43,248 accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.  
 (f) Includes \$ accrual of discount less \$ amortization of premium.  
 (g) Includes \$ 48,207 investment expenses and \$ 8,324 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.  
 (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	364,646		364,646		
1.1 Bonds exempt from U.S. tax	963,074		963,074	271,087	
1.2 Other bonds (unaffiliated)	(793,419)	(562,674)	(1,356,093)	872,976	
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	(708,471)	0	(708,471)	285,000	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	0	0
2.21 Common stocks of affiliates	0	0	0	1,212,996	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	(969)	0	(969)	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	(502,806)	0	(502,806)	0	0
10. Total capital gains (losses)	(677,945)	(562,674)	(1,240,619)	2,642,059	0
<b>DETAILS OF WRITE-INS</b>					
0901. Securities Lending Impairment	(502,806)		(502,806)		
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(502,806)	0	(502,806)	0	0

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	.0	.0	.0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	.0	.0	.0
2.2 Common stocks .....	.0	.0	.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	.0	.0	.0
3.2 Other than first liens .....	.0	.0	.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	.0	.0	.0
4.2 Properties held for the production of income.....	.0	35,596	35,596
4.3 Properties held for sale .....	.0	.0	.0
5. Cash, (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	.0	.0	.0
6. Contract loans .....	.0	.0	.0
7. Other invested assets (Schedule BA) .....	.0	.0	.0
8. Receivables for securities .....	.0	.0	.0
9. Aggregate write-ins for invested assets .....	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	.0	35,596	35,596
11. Title plants (for Title insurers only).....	.0	.0	.0
12. Investment income due and accrued .....	.0	.0	.0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection .....	251,900	99,793	(152,107)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	.0	.0	.0
13.3 Accrued retrospective premiums .....	.0	.0	.0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers .....	.0	.0	.0
14.2 Funds held by or deposited with reinsured companies .....	.0	.0	.0
14.3 Other amounts receivable under reinsurance contracts .....	.0	.0	.0
15. Amounts receivable relating to uninsured plans .....	59,880	.0	(59,880)
16.1 Current federal and foreign income tax recoverable and interest thereon .....	.0	.0	.0
16.2 Net deferred tax asset .....	72,745,212	93,140,915	20,395,703
17. Guaranty funds receivable or on deposit .....	.0	.0	.0
18. Electronic data processing equipment and software .....	54,529	67,103	12,574
19. Furniture and equipment, including health care delivery assets .....	2,583,600	3,099,876	516,276
20. Net adjustment in assets and liabilities due to foreign exchange rates .....	.0	.0	.0
21. Receivables from parent, subsidiaries and affiliates .....	.0	.0	.0
22. Health care and other amounts receivable.....	3,382,509	3,369,967	(12,542)
23. Aggregate write-ins for other than invested assets .....	155,511,643	186,242,835	30,731,192
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	234,589,273	286,056,085	51,466,812
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	234,589,273	286,056,085	51,466,812
<b>DETAILS OF WRITE-INS</b>			
0901. ....			
0902. ....			
0903. ....			
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.0	.0	.0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) .....	0	0	0
2301. Intangible Asset Related to Acquired Membership.....	154,321,370	185,300,000	30,978,630
2302. Prepaid Expenses.....	700,052	755,246	55,194
2303. Prepaid Commissions.....	446,515	143,883	(302,632)
2398. Summary of remaining write-ins for Line 23 from overflow page .....	43,706	43,706	.0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	155,511,643	186,242,835	30,731,192

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Humana Health Plan, Inc.

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	253,058	263,327	263,022	268,719	269,094	3,437,898
2. Provider Service Organizations.....	0					
3. Preferred Provider Organizations.....	128,785	111,442	103,948	98,930	96,580	1,251,010
4. Point of Service.....	0					
5. Indemnity Only.....	0					
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	381,843	374,769	366,970	367,649	365,674	4,688,908
<b>DETAILS OF WRITE-INS</b>						
0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the Kentucky Office of Insurance.

The Kentucky Office of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Kentucky for determining and reporting the financial condition and results of operations of an insurance Company, for determining its solvency under the Kentucky Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Kentucky. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices. No deviations exist.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Kentucky is shown below:

	State of Domicile	2009	2008
1. Net Income, Kentucky basis	KY	\$ (8,901,986)	\$ (14,076,328)
2. State Prescribed Practices (Income):	KY	-	-
3. State Permitted Practices (Income):	KY	-	-
4. Net Income, NAIC SAP	KY	\$ (8,901,986)	\$ (14,076,328)
5. Statutory Surplus, Kentucky basis	KY	\$ 148,816,040	\$ 151,682,553
6. State Prescribed Practices (Surplus):	KY	-	-
7. State Permitted Practices (Surplus):	KY	-	-
Nonadmitted Investment in Subsidiary	KY	26,798,974	25,585,978
8. Statutory Surplus, NAIC SAP	KY	\$ 175,615,014	\$ 177,268,531

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

The preparation of financial statements in conformity with Statutory Accounting Principles 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. These estimates are based on knowledge of current events and anticipated future events, and accordingly, actual results could differ from those estimates.

#### C. Accounting Policy

Short-term investments include investments mainly in U.S. Government obligations with a maturity of twelve months or less from the date of purchase. Short-term investments are recorded at amortized cost. The carrying value of short-term investments approximates fair value due to the short-term maturities of the investments.

Investments are valued and classified in accordance with methods prescribed by the NAIC. Bonds with an NAIC rating of 1 or 2 are carried at amortized cost, with all other bonds being recorded at the lower of amortized cost or fair value; redeemable preferred stocks are carried at amortized cost; and non-redeemable preferred stocks are carried at fair value.

The Company regularly evaluates investment securities for impairment. The Company considers factors affecting the investee, factors affecting the industry the investee operates within, and general debt and equity market trends. The Company also considers the length of time an investment's fair value has been below carrying value, the near term prospects for recovery to carrying value, and the Company's intent and ability to hold the investment until maturity or market recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other-than-temporary, the related investment is written down to its estimated fair value through earnings.

For loan backed and structured securities where the securities fair value is less than the amortized cost, the Company considers several factors to determine if the security's impairment is other-than-temporary. If the Company has the intent to sell the security or if the Company does not have the intent and ability to retain the security until recovery of its fair value, the related investment is written down to its estimated fair value through earnings. If, however, the Company has the intent and ability to retain the security until recovery of its fair value, the Company considers factors affecting the investee, factors affecting the industry the investee operates within, and general debt and equity market trends. The Company also considers the length of time an investment's fair value has been below carrying value and the near term prospects for recovery to carrying value. If the determination is made, based on these factors, that the Company does expect to recover the entire amortized cost of the security, then an other-than-temporary impairment has not occurred. If, however, the determination is made that the Company does not expect to recover the entire amortized cost of the security based on the factors noted above, the Company recognizes a realized loss in earnings for the non-interest related decline. No loss is recognized for the interest impairment.

Amortization of bond premium or discount is computed using the scientific interest method.

Income from investments is recorded on an accrual basis. For the purpose of determining realized gains and losses, the cost of securities sold is based upon specific identification. Investment income due and accrued over 90 days past due is nonadmitted.

The Company estimates the fair value of its investments in mortgage loans on real estate using a discounted cash flow method based on rating, maturity and future income when compared to the expected yield for mortgages having similar characteristics. The rating for mortgages in good standing is based on property type, location, market conditions, occupancy, debt service coverage, loan to value, caliber of tenancy, borrower and payment record. Problem mortgages are priced to reflect their monetary value to the Company, considering such things as the degree of default, whether or not the payments are still being made, interest rate, maturity and operating performance of the underlying collateral.

The Company participates in a securities leading program to maximize investment income. The Company loans certain investment securities for short periods of time in exchange for collateral initially equal to at least 102 percent of the fair value of the investment securities on loan. The fair value of the loaned investment securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned investment securities fluctuates. The collateral, which may be in the form of cash or U.S. Government securities, is deposited by the borrower with an independent lending agent.

Real estate held for production of income is carried at depreciated cost.

## NOTES TO FINANCIAL STATEMENTS

The Company accounts for its investments in subsidiaries using the audited statutory equity method of accounting.

Equipment is stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over estimated useful lives generally ranging from three to five years. Improvements to leased facilities are depreciated over the shorter of the remaining lease term or the anticipated life of the improvement.

The Company recognizes an asset or liability for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. The temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled.

Premiums are reported as earned in the period in which members are entitled to receive services, and are net of retroactive membership adjustments. Retroactive membership adjustments result from enrollment changes not yet processed, or not yet reported by an employer group or the government. Premiums received prior to such period are recorded as advance premiums.

Benefits incurred and loss adjustment expenses include claim payments, capitation payments, pharmacy costs net of rebates, allocations of certain centralized expenses, legal and administrative costs to settle claims, and various other costs incurred to provide health insurance coverage to members, as well as estimates of future payments to hospitals and others for medical care provided prior to the date of the statements of admitted assets, liabilities and surplus. Capitation payments represent monthly contractual fees disbursed to participating primary care physicians, and other providers who are responsible for providing medical care to members. Pharmacy costs represent payments for members' prescription drug benefits, net of rebates from drug manufacturers.

The estimates of future medical benefit payments are developed using actuarial methods and assumptions based upon claim payment patterns, medical cost inflation, historical development such as claim inventory levels and claim receipt patterns, and other relevant factors. Corresponding administrative costs to process outstanding claims are estimated and accrued. Estimates of future payments relating to services incurred in the current and prior periods are continually reviewed by management and adjusted as necessary.

The Company assesses the profitability of its contracts for providing health insurance coverage to its members when current operating results or forecasts indicate probable future losses. The Company records a premium deficiency liability in current operations to the extent that the sum of expected future medical costs, claim adjustment expenses and maintenance costs exceed related future premiums. Investment income is not contemplated in the calculation of the premium deficiency liability.

Management believes the Company's benefits payable and loss adjustment expense are adequate to cover future claims and loss adjustment expense payments required, however, such estimates are based on knowledge of current events and anticipated future events and, therefore, the actual liability could differ from the amounts provided.

The Company estimates anticipated Pharmacy Rebate Receivables using the analysis of historical recovery patterns.

### 2. Accounting Changes and Corrections of Errors

In 2008, the Company acquired membership of Secure Horizons. This was recorded as a nonadmitted asset for \$185.3 million in the restated 2008 filing. In 2009, it was determined that the Company should be amortizing this intangible asset over a life of ten years. Since no amortization expense was recognized in 2008 for the eight months of incurred expense, a period error of \$12.4 million of expense occurred. Consistent with SSAP 3, this was recorded as an adjustment to surplus in 2009 as an aggregate write-in on line 47 of the capital and surplus account rollforward.

This prior period error has zero impact on surplus as the negative impact on earnings is directly offset by a reduction in the nonadmitted asset. There is no tax impact as the asset was correctly being amortized in 2008 on a tax basis. In addition, the deferred tax asset is unaffected as the net balance sheet is unchanged. The adjustment is 0.7 percent of earned premium and 77.9 percent of pretax earnings.

There will be an additional \$18.5 million of amortization expense the next 8.3 years. Consistent with the current year presentation, this will be recorded as a write-in to line 29 on the statement of revenue and expenses.

### 3. Business Combinations and Goodwill

#### A. Statutory Purchase Method

Not Applicable.

#### B. Statutory Merger

Not Applicable.

#### C. Assumption Reinsurance

Not Applicable.

#### D. Impairment Loss

Not Applicable.

### 4. Discontinued Operations

Not Applicable.

### 5. Investments

#### A. Mortgage Loans, Including Mezzanine Real Estate Loans

Not Applicable.

#### B. Debt Restructuring

Not Applicable.

## NOTES TO FINANCIAL STATEMENTS

C. Reverse Mortgages

Not Applicable.

D. Loan-Backed Securities

The Company does not have any investments in an other-than-temporary impairment position at year-end.

Gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position were as follows at December 31, 2009 and 2008:

	2009					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government loan-backed securities	\$ 29,929,253	\$ (323,585)	-	-	\$ 29,929,253	\$ (323,585)
Other loan-backed securities	-	-	\$ 7,435,503	\$ (221,119)	7,435,503	(221,119)
Total loan backed securities	\$ 29,929,253	\$ (323,585)	\$ 7,435,503	\$ (221,119)	\$ 37,364,206	\$ (544,703)

The unrealized losses at December 31, 2009 were primarily due to increases in interest rates from a widening of credit spreads. All issuers of securities trading at an unrealized loss remain current on all contractual payments and the Company believes it is probable that all amounts due according to the contractual terms of the debt securities are collectible. After taking into account these and other factors, including the severity of the decline and the Company's ability and intent to hold these securities until recovery or maturity, the Company determined the unrealized losses on these investment securities were temporary and, as such, no impairment was required.

E. Repurchase Agreements

Not Applicable.

F. Real Estate

Not Applicable.

G. Low-Income Housing Tax Credits (LIHTC)

Not Applicable.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10.0 percent of its admitted assets.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

A. Due and accrued income was excluded from surplus on the following basis:

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loan default.

B. The total amount excluded was \$0.

8. Derivative Instruments

Not Applicable.

9. Income Taxes

The components of the net admitted deferred tax asset in the Company's statements of Assets, Liabilities, and Surplus by tax character are as follows:

	Ordinary Taxes	Capital Taxes	December 31, 2009	December 31, 2008
Total of gross deferred tax assets	\$ 84,511,543	\$ -	\$ 84,511,543	\$ 119,004,057
Total of deferred tax liabilities	(26,025)	-	(26,025)	33,006
Net deferred tax	84,485,518	-	84,485,518	118,971,051
Deferred tax asset nonadmitted	(72,745,212)	-	(72,745,212)	93,140,915
Net admitted deferred tax	\$ 11,740,306	\$ -	\$ 11,740,306	\$ 25,830,136
(Increase) Decrease in nonadmitted asset			\$ (20,395,702)	

The provisions for incurred taxes on earnings for the years ended December 31 are:

	December 31, 2009	December 31, 2008
Federal payable	\$ 1,373	\$ (2,161,128)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

NOTES TO FINANCIAL STATEMENTS

	December 31, 2009	December 31, 2008
Deferred tax assets:		
Intangible asset	\$ 57,622,117	\$ 55,314,385
Valuation allowance against capital DTA	(40,958,290)	-
Unrealized loss	40,731,482	37,991,001
Benefits payable	19,781,801	19,670,626
Current nonadmitted asset	1,236,090	1,182,415
Advance premium	1,227,009	986,553
Non current nonadmitted asset	1,159,119	1,127,347
Deferred acquisition cost tax	1,076,628	788,567
Depreciation	671,226	613,451
Loss adjustment expense	646,293	54,678
Litigation reserves	297,500	4,900
Other capital items	266,808	-
Miscellaneous nondeductible reserves	48,007	69,707
Other than temporary impairment	-	354,269
Other	<u>705,753</u>	<u>846,157</u>
Total deferred tax assets	\$ 84,511,543	\$ 119,004,056
Nonadmitted deferred tax assets	<u>72,745,212</u>	<u>93,140,916</u>
Admitted deferred tax assets	<u>\$ 11,766,331</u>	<u>\$ 25,863,140</u>
Deferred tax liabilities:		
Other	<u>\$ 26,025</u>	<u>\$ 33,005</u>
Total deferred tax liabilities	<u>\$ 26,025</u>	<u>\$ 33,005</u>
Net admitted deferred tax asset	<u>\$ 11,740,306</u>	<u>\$ 25,830,135</u>

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the annual statement):

	Ordinary Taxes	Capital Taxes	December 31, 2009	December 31, 2008	Change
Total deferred tax assets	<u>\$ 84,511,543</u>	<u>\$ -</u>	<u>\$84,511,543</u>	<u>\$ 119,004,056</u>	<u>\$ (34,492,513)</u>
Total deferred tax liabilities	<u>26,025</u>	<u>-</u>	<u>26,025</u>	<u>33,005</u>	<u>(6,980)</u>
Net deferred tax asset (liability)	<u>\$ 84,485,518 - \$</u>	<u>\$ -</u>	<u>\$84,485,518</u>	<u>\$ 118,971,051</u>	<u>\$ (34,485,533)</u>

The Company has not elected to admit deferred tax assets pursuant to SSAP 10(R). The current period election does not differ from the prior reporting period.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	December 31, 2009	Effective Tax Rate
Provision computed at statutory rate	\$ (3,115,218)	35.00%
Valuation allowance on capital DTA	40,576,755	(455.89)%
Tax exempt income deduction	(545,885)	6.13%
Nonadmitted asset deferred tax change effect on rate	(114,484)	1.29%
Prior year correction entry	(29,871)	0.34%
Dividends received deduction	(16,883)	0.19%
Loss incurred addback	84,415	(0.95)%
Other permanent items	7,025	(0.08)%
Total	<u>\$ 36,845,854</u>	<u>(413.97)%</u>
Federal taxes incurred (recoverable) 2009 only	\$ (6,079)	0.07%
Change in net deferred income taxes	36,844,478	(413.96)%
Federal taxes incurred (recoverable) correction 2008	7,451	(0.08)%
Other	4	0.00%
Total statutory income taxes	<u>\$ 5,601,020</u>	<u>(413.97)%</u>

The Company has no net operating loss carryforwards.

The Company is included in a consolidated federal income tax return with its parent Company, Humana Inc. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to be paid for any future net losses it may incur. The Company has no contingent income tax liabilities. The Company has not adjusted gross deferred tax assets due to changes in judgment about the realizability of the related deferred tax asset. The Company has no deposits under Section 6603 of the Internal Revenue Code.

AFFILIATIONS SCHEDULE

CORPORATE NAME AND EMPLOYER IDENTIFICATION NUMBER

THE ADDRESS OF EACH COMPANY IS: P. O. BOX 740026, LOUISVILLE, KY 40201

CORP. NO.	CORPORATION NAME	EMPLOYER IDENTIFICATION NUMBER
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**NOTES TO FINANCIAL STATEMENTS**

1	HUMANA INC.	61-0647538
2	516-526 WEST MAIN STREET CONDOMINIUM COUNCIL OF CO-OWNERS, INC.	20-5309363
3	AMERICAN DENTAL PLAN OF NORTH CAROLINA, INC.	56-1796975
4	AMERICAN DENTAL PROVIDERS OF ARKANSAS, INC.	58-2302163
5	CAC-FLORIDA MEDICAL CENTERS, LLC	26-0010657
6	CARENETWORK, INC.	39-1514846
7	CAREPLUS HEALTH PLANS, INC.	59-2598550
8	CARITEN HEALTH PLAN, INC.	62-1579044
9	CARITEN INSURANCE COMPANY	62-0729865
10	CHA HMO, INC.	61-1279717
11	CHA SERVICE COMPANY, INC.	61-1279716
12	COMPBENEFITS COMPANY	59-2531815
13	COMPBENEFITS CORPORATION	04-3185995
14	COMPBENEFITS DENTAL, INC.	36-3686002
15	COMPBENEFITS DIRECT, INC.	58-2228851
16	COMPBENEFITS INSURANCE COMPANY	74-2552026
17	COMPBENEFITS OF ALABAMA, INC.	63-1063101
18	COMPBENEFITS OF GEORGIA, INC.	58-2198538
19	CORPHEALTH PROVIDER LINK, INC.	20-8236655
20	CORPHEALTH, INC.	75-2043865
21	CPHP HOLDINGS, INC.	30-0117876
22	DEFENSEWEB TECHNOLOGIES, INC.	33-0916248
23	DENTAL CARE PLUS MANAGEMENT, CORP.	36-3512545
24	DENTICARE, INC.	76-0039628
25	EMPHEYSYS INSURANCE COMPANY	31-0935772
26	EMPHEYSYS, INC.	61-1237697
27	HEALTH VALUE MANAGEMENT, INC.	61-1223418
28	HUMANA ACTIVE OUTLOOK, INC.	20-4835394
29	HUMANA ADVANTAGECARE PLAN, INC.	65-1137990
30	HUMANA BENEFIT PLAN OF ILLINOIS, INC.	37-1326199
31	HUMANA EMPLOYERS HEALTH PLAN OF GEORGIA, INC. HUMANA GOVERNMENT NETWORK SERVICES, INC. (fka HUMANA MILITARY PHARMACY SERVICES, INC.)	20-1717441
32	HUMANA HEALTH BENEFIT PLAN OF LOUISIANA, INC.	72-1279235
33	HUMANA HEALTH INSURANCE COMPANY OF FLORIDA, INC.	61-1041514
34	HUMANA HEALTH PLAN INTERESTS, INC.	71-0732385
35	HUMANA HEALTH PLAN OF CALIFORNIA, INC.	26-3473328
36	HUMANA HEALTH PLAN OF OHIO, INC.	31-1154200
37	HUMANA HEALTH PLAN OF TEXAS, INC.	61-0994632
38	HUMANA HEALTH PLAN, INC.	61-1013183
39	HUMANA INNOVATION ENTERPRISES, INC.	61-1343791
40	HUMANA INSURANCE COMPANY	39-1263473
41	HUMANA INSURANCE COMPANY OF KENTUCKY	61-1311685
42	HUMANA INSURANCE COMPANY OF NEW YORK	20-2888723
43	HUMANA MARKETPOINT, INC.	61-1343508
44	HUMANA MEDICAL PLAN OF UTAH, INC.	20-8411422
45	HUMANA MEDICAL PLAN, INC.	61-1103898
46	HUMANA MILITARY DENTAL SERVICES, INC.	27-1323221
47	HUMANA MILITARY HEALTHCARE SERVICES, INC.	61-1241225
48	HUMANA PHARMACY, INC.	61-1316926
49	HUMANA VETERANS HEALTHCARE SERVICES, INC.	20-8418853
50	HUMANA WISCONSIN HEALTH ORGANIZATION INSURANCE CO.	39-1525003
51	HUMANA/COMPBENEFITS, INC.	59-1843760
52	HUMANACARES, INC.	65-0274594
53	HUMANADENTAL INSURANCE COMPANY	39-0714280
54	HUMANADENTAL, INC.	61-1364005
55	HUMCO, INC.	61-1239538
56	HUM-e-FL, INC.	61-1383567
57	HUM-HOLDINGS INTERNATIONAL, INC.	26-3583438
58	INFOCUS TECHNOLOGY, INC.	42-1575099
59	KMG AMERICA CORPORATION	20-1377270
60	MANAGED CARE INDEMNITY, INC.	61-1232669
61	PHP COMPANIES, INC.	62-1552091
62	PREFERRED HEALTH PARTNERSHIP OF TENNESSEE, INC.	62-1546662
63	PREFERRED HEALTH PARTNERSHIP, INC.	62-1250945
64	PRESERVATION ON MAIN, INC.	20-1724127
65	SENSEI, INC.	20-3355580
66	TEXAS DENTAL PLANS, INC.	74-2352809
67		

## NOTES TO FINANCIAL STATEMENTS

68	THE DENTAL CONCERN, INC.	52-1157181	
69	THE DENTAL CONCERN, LTD	36-3654697	
70	ULTIMATE OPTICAL, INC.	65-0856480	1

FOOTNOTE:

BLANK = TAX PERIOD 1/1/09 THROUGH 12/31/09 OR DATE OF INCORPORATION THROUGH 12/31/09

1 = TAX PERIOD 1/1/09 THROUGH MERGER DATE OF 12/31/09 (FILED 12/31/09, EFFECTIVE 1/4/10)

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

The Company has a management contract with Humana and other related parties whereby the Company is provided with medical and executive management, information systems, claims processing, billing and enrollment, and telemarketing and other services as required by the Company. Management fees charged to operations for the years ended December 31, 2009 and 2008 were approximately \$236.2 million and \$168.6 million respectively.

As a part of this agreement, Humana makes cash disbursements on behalf of the Company which includes, but is not limited to, medical related items, general and administrative expenses, commissions and payroll. Humana is reimbursed by the Company weekly, based upon historical pattern of amounts and timing. Each month, these estimates are adjusted to ultimately settle upon actual disbursements made on behalf of the Company. As a result, any residual inter-Company balances are immediately settled in the following month. The Company continues to be primarily liable for any outstanding payments made on behalf of the Company, should Humana not be able to fulfill its obligations.

11. Debt

A. Capital Notes

The Company has no capital notes outstanding.

B. All other Debt

The Company has no debentures outstanding.

The Company does not have any reverse repurchase agreements.

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

A. Defined Benefit Plan

Not Applicable.

B. Defined Contribution Plan

Not Applicable.

C. Multiemployer Plans

Not Applicable.

D. Consolidated/Holding Company Plans

The Company employees are eligible to participate in the Humana Retirement and Savings Plan ("the Plan"), a defined contribution plan, sponsored by Humana Inc. The Plan maintains two accounts, the Savings Account and the Retirement Account.

Humana Inc.'s total contributions paid to the Savings and Retirement accounts of the Humana Retirement and Savings Plan were \$109.3 million for 2009. As of December 31, 2009 the fair market value of the Humana Retirement and Savings Plan's assets was \$1.3 billion.

E. Post Employment Benefits and Compensated Absences

Not Applicable.

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

Not Applicable.

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

- 1) The Company has \$1 par value common stock with 5,000,000 shares authorized and 2,248,000 shares issued and outstanding.
- 2) The Company has no preferred stock outstanding.
- 3) Dividends are noncumulative and are paid as determined by the Board of Directors. Dividends are subject to the approval of the Department of Insurance if such dividend distribution which, together with other dividends or distributions made within the preceding twelve months, exceeds the lesser of (a) ten percent of the Company's policyholder surplus as of December 31 of the prior year, or (b) the net income, for the twelve month period ending December 31 of the prior year.
- 4) Not Applicable.
- 5) Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- 6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- 7) Not Applicable.
- 8) Not Applicable.
- 9) Not Applicable.
- 10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$(1,306,169).
- 11) Not Applicable.

## NOTES TO FINANCIAL STATEMENTS

- 12) Not Applicable.  
13) Not Applicable.

### 14. Contingencies

#### A. Contingent Commitments

Not Applicable.

#### B. Assessments

Not Applicable.

#### C. Gain Contingencies

Not Applicable.

#### D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits

The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

Claims related ECO and bad faith losses paid during the period were \$1.1 million.

Number of Claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

(a) 0-25 Claims	(b) 26-50 Claims	(c) 51-100 Claims	(d) 101-500 Claims	(e) 501 + Claims
x				

Indicate whether claim count information is disclosed per claim or per claimant.

(f) Per Claim	(g) Per Claimant
x	x

#### E. All Other Contingencies

During the ordinary course of business, the Company is subject to pending and threatened legal actions. Management of the Plan does not believe that any of these actions will have a material adverse effect on the Company's surplus, results of operations or cash flows. However, the likelihood or outcome of current or future legal proceedings cannot be accurately predicted, and they could adversely affect the Company's surplus, results of operations and cash flows.

The Company is aware of no material contingent liabilities as of December 31, 2009.

### 15. Leases

#### A. Lessee Operating Lease

1) The Company has entered into operating leases for medical and administrative office space and equipment with lease terms ranging from one to ten years. Operating lease rental payments charged to expenses for the years ended December 31, 2009 and 2008 was approximately \$4.6 million and \$4.2 million, respectively.

#### 2) Noncancelable Lease Terms:

a. At January 1, 2010, the minimum aggregate rental commitments are as follows:

Year ending December 31,

2010	\$ 7,125,800
2011	6,163,503
2012	5,466,859
2013	2,341,397
2014	399,697
2015 and thereafter	208,682
Total Minimum Lease Payments	\$ 21,704,938

b. Certain rental commitments have renewal options extending through the year 2022. Some of these renewals are subject to adjustments in future periods.

3) The Company is not involved in any sales – leaseback transactions.

#### B. Other Leases

#### 1) Lessor Leases

a. The Company owns or leases numerous sites that are leased or subleased to unrelated parties. The typical lease period ranges from 1 to 3 years and some leases contain renewal options.

**NOTES TO FINANCIAL STATEMENTS**

- b. Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31, 2009 are as follows:

2010	\$	383,729
2011		383,729
2012		31,977
Net Minimum Future Lease Receipts	\$	<u>799,435</u>

2) Leveraged Leases

The Company is not involved in any leveraged leases.

16. Information about Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentration of Credit Risk

- 1) The Company has no investment in Financial Instruments with Off Balance Sheet Risk.
- 2) The Company has no investment in Financial Instruments with Concentration Credit Risk.

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

A. Transfers of Receivables Reported as Sales

Not Applicable.

B. Transfer and Servicing of Financial Assets

The Company participates in a securities lending program of select invested assets. As of December 31, 2009, securities totaling \$16.3 million were loaned under this program.

C. Wash Sales

Not Applicable.

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

A. ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2009:

	(1)	(2)	(3)
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ (16,042,347)	\$ -	\$ (16,042,347)
b. Total net other income or expenses (including interest paid to or received from plans)	\$ 1,176,506	\$ -	\$ 1,176,506
c. Net gain or (loss) from operations	\$ (14,865,841)	\$ -	\$ (14,865,841)
d. Total claim payment volume	\$ 443,051,979	\$ -	\$ 443,051,979

B. ASC Plans

Not Applicable.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

- a. The Company records no revenue explicitly attributable to the cost share and reinsurance components of administered Medicare products.
- b. As of December 31, 2009, the Company has recorded a receivable from CMS of \$6.2 million related to the cost share and reinsurance components of administered Medicare products.
- c. As no revenue is recorded in connection with the cost share and reinsurance components of the Company's Medicare contracts, the Company has recorded no allowances and reserves for adjustment of recorded revenues or receivables.
- d. The Company has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

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

Not Applicable.

## NOTES TO FINANCIAL STATEMENTS

### 20. Other Items

A. Extraordinary Items

Not Applicable.

B. Troubled Debt Restructuring

Not Applicable.

C. Other Disclosures

Not Applicable.

D. Disclose the nature of any portion of the balance that is reasonably possible to be uncollectible for assets covered by SSAP No. 6, Uncollected Premium Balances, Bill Receivable for Premiums, and Amounts Due From Agents and Brokers, SSAP No. 47, Uninsured Plans, or SSAP No. 66, Retrospectively Rated Contracts.

Not Applicable.

E. Business Interruption Insurance Recoveries

Not Applicable.

F. State Transferable Tax Credits

Not Applicable.

G. The company has no deposits admitted under Section 6603 of the Internal Revenue Service Code.

H. Hybrid Securities

Not Applicable.

I. Subprime Mortgage Related Risk Exposure

The Company consults with its external investment managers to assess its subprime mortgage related risk exposure. Certain characteristics are utilized to determine if a mortgage-backed security has subprime exposure. The main characteristics reviewed when determining this are the collateral and structure of the security, the loan purpose, loan documentation, occupancy, geographical location, loan size and type. Subprime mortgage borrowers typically have lower credit scores, lower loan balances and higher loan-to-values than other conforming loans. Management's practices include reviewing quantitative and qualitative credit models that analyze loan-level collateral composition, historical underwriter performance trends, the impact of macroeconomic factors, and issuer risks; as well as reviewing the estimation of security cash flows and monthly model calibrations.

(1) Direct exposure through investments in sub-prime mortgage loans.

The Company has no direct exposure through investment to sub-prime mortgage loans.

(2) Indirect exposure to sub-prime mortgage risk through investments in the following securities:

- a. Residential mortgage backed securities – No substantial exposure noted.
- b. Collateralized debt obligations – No substantial exposure noted.
- c. Structured Securities (including principal protected notes) – No substantial exposure noted.
- d. Debt Securities of companies with significant sub-prime exposure – No substantial exposure noted.
- e. Equity securities of companies with significant sub-prime exposure – No substantial exposure noted.
- f. Other Assets – No substantial exposure noted.

(3) Underwriting exposure to sub-prime mortgage risk through Mortgage Guaranty coverage, Financial Guaranty coverage, Directors and Officers liability coverage, or Errors and Omissions liability coverage.

Not Applicable.

(4) Classification of mortgage related securities is primarily based on information from outside data services, including rating agency actions. When considering our exposure, the Company evaluated the percentage of full documentation loans, percent of owner occupied properties, FICO scores, average margin for ARM loans, percent of loans with prepayment penalties, the existence of non-traditional underwriting standards, among other factors.

### 21. Events Subsequent

The Company is not aware of any events or transactions occurring subsequent to the close of the books for this statement which may have a material effect on its financial condition. Subsequent events have been considered through 2/22/2010 for the statutory statement issued on 2/22/2010.

### 22. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10.0 percent or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes ( ) No ( X )

## NOTES TO FINANCIAL STATEMENTS

If yes, give full details.

- (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 10.0 percent or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes ( ) No (X)

If yes, give full details.

### Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?

Yes ( ) No (X)

- a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. \$0
- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in this statement? \$0

- (2) 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)

If yes, give full details.

### Section 3 – Ceded Reinsurance Report – Part B

- (1) 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 in Section 2 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
- (2) 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)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$0

#### B. Uncollectible Reinsurance

Not Applicable.

#### C. Commutation of Ceded Reinsurance

Not Applicable.

### 23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. The Company estimates accrued retrospective premium adjustments for its Medicare business through a mathematical approach using an algorithm based upon settlement procedures defined by contracts with CMS.
- B. The Company records accrued retrospective premium as an adjustment to earned premiums.
- C. The amount of net premiums written by the Company at December 31, 2009 that are subject to retrospective rating features was \$12.6 million, that represented 0.7 percent of the total net premiums written for the group health. No other net premiums written by the Company are subject to retrospective rating features.

### 24. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2008 were \$127.9 million. As of December 31, 2009, \$115.3 million has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$4.4 million as a result of reestimation of unpaid claims and claim adjustment expenses principally on the commercial HMO and PPO books of business. Therefore, there has been a \$8.2 million favorable prior-year development since December 31, 2008. The decrease 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. The Company has no retrospectively rated policies.

### 25. InterCompany Pooling Arrangements

Not Applicable.

### 26. Structured Settlements

## NOTES TO FINANCIAL STATEMENTS

Not Applicable.

27. Health Care Receivables

## Pharmaceutical Rebate Receivables

Quarter	Estimate Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 181 Days after Billing
12/31/2009	\$ 5,322,832	\$ 5,322,832	\$ -	\$ -	\$ -
9/30/2009	\$ 6,375,850	\$ 6,375,850	\$ 6,375,850	\$ -	\$ -
6/30/2009	\$ 6,514,874	\$ 6,514,874	\$ 6,514,874	\$ -	\$ -
3/31/2009	\$ 6,602,391	\$ 6,602,391	\$ 6,602,391	\$ -	\$ -
12/31/2008	\$ 7,261,000	\$ 7,261,000	\$ 7,261,000	\$ -	\$ -
9/30/2008	\$ 6,425,274	\$ 6,425,274	\$ 6,425,274	\$ -	\$ -
6/30/2008	\$ 6,333,928	\$ 6,333,928	\$ 6,333,928	\$ -	\$ -
3/31/2008	\$ 5,089,514	\$ 5,089,514	\$ 5,089,514	\$ -	\$ -
12/31/2007	\$ 3,900,954	\$ 3,900,954	\$ 3,900,954	\$ -	\$ -
09/30/2007	\$ 5,588,626	\$ 5,588,626	\$ 5,588,626	\$ -	\$ -
06/30/2007	\$ 4,931,518	\$ 4,931,518	\$ 4,931,518	\$ -	\$ -
03/31/2007	\$ 4,863,933	\$ 4,863,933	\$ 4,863,933	\$ -	\$ -
12/31/2006	\$ 5,310,097	\$ 5,310,097	\$ 5,310,097	\$ -	\$ -

## A. Risk Sharing Receivables

Risk Sharing receivables include estimated recoveries on plan to plan and state to plan adjustments attributable to benefits paid for Medicare beneficiaries. These estimated recoveries from other Medicare carriers and state Medicaid plans are recorded based upon reported overpayments, adjusted for historical recovery patterns.

28. Participating Policies

Not Applicable.

29. Premium Deficiency Reserves

As of December 31, 2009, Humana Health Plan, Inc. had liabilities of \$22.3 million related to premium deficiency reserves. The Company did not consider anticipated investment income when calculating its premium deficiency reserves. The Company did recognize the time value of money by discounting future losses at an annual interest rate of 0.15 percent.

30. Anticipated Salvage and Subrogation

Not Applicable.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating?..... Kentucky.....
- 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
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/2008
- 3.2 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. ....12/31/2002
- 3.3 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). ....03/30/2004
- 3.4 By what department or departments? Kentucky Department of Insurance.....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 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
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 6.1 Has the 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
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes  No
- 7.2 If yes,
- 7.21 State the percentage of foreign control .....
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

## GENERAL INTERROGATORIES

- 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 the names and locations (city and state of the main office) of any affiliates regulated by a federal financial 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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?.....  
PricewaterhouseCoopers LLC, 500 West Main, Suite 1800, Louisville, Kentucky 40202-4271.....
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....  
Frank Murray Amrine, Actuarial Director and Appointed Actuary, 500 West Main Street, Louisville, KY 40202.....
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?..... Yes [ ] No [ X ]
- 11.11 Name of real estate holding company .....
- 11.12 Number of parcels involved.....0
- 11.13 Total book/adjusted carrying value..... \$ .....0
- 11.2 If yes, provide explanation.....
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States Trustees of the reporting entity?.....
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]
- 13.1 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 [ X ] 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.
- 13.11 If the response to 13.1 is No, please explain:.....
- 13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [ X ]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).....
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [ X ]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).....

### BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [ X ] No [ ]
15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [ X ] No [ ]
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [ X ] No [ ]

# GENERAL INTERROGATORIES

## FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g. Generally Accepted Accounting Principles)? Yes [ ] No [ X ]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers \$ .....0
  - 18.12 To stockholders not officers \$ .....0
  - 18.13 Trustees, supreme or grand (Fraternal only) \$ .....0
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers \$ .....0
  - 18.22 To stockholders not officers \$ .....0
  - 18.23 Trustees, supreme or grand (Fraternal only) \$ .....0
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [ X ]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$ .....
  - 19.22 Borrowed from others \$ .....
  - 19.23 Leased from others \$ .....
  - 19.24 Other \$ .....
- 20.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [ X ] No [ ]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$ .....
  - 20.22 Amount paid as expenses \$ .....390,799
  - 20.23 Other amounts paid \$ .....
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ X ] No [ ]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ .....7,512,841

## INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes [ X ] No [ ]
- 22.2 If no, give full and complete information, relating thereto.....  
0
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided).....  
Description of Securities Lending Program is included in number 16 of the Notes to the Financial Statement.....
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ X ] No [ ] N/A [ ]
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ .....16,307,750
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ .....
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes [ X ] No [ ]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements \$ .....
  - 23.22 Subject to reverse repurchase agreements \$ .....
  - 23.23 Subject to dollar repurchase agreements \$ .....
  - 23.24 Subject to reverse dollar repurchase agreements \$ .....
  - 23.25 Pledged as collateral \$ .....
  - 23.26 Placed under option agreements \$ .....
  - 23.27 Letter stock or securities restricted as to sale \$ .....16,295,600
  - 23.28 On deposit with state or other regulatory body \$ .....15,171,391
  - 23.29 Other \$ .....

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
Securities Lending.....	A T & T CORPORATION.....	90,606
Securities Lending.....	COMCAST STORER INC.....	204,994
Securities Lending.....	TREASURY BILL.....	13,000,000
Securities Lending.....	UNITED STATES TREASURY 912795S85.....	3,000,000

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [ X ]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement. Yes [ ] No [ ] N/A [ X ]
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [ X ]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ .....

## GENERAL INTERROGATORIES

26. 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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase.....	4 New York Plaza, 15th Floor, New York, NY. 10004-2413 Attn: Herb Spaulding.....

26.02 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)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?

Yes  No

26.04 If yes, give full and complete information relating thereto:

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

26.05 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 Number(s)	2 Name	3 Address
107105.....	Blackrock, Inc.....	40 East 52nd Street, New York, NY 10022.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes  No

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 TOTAL		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

## GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds.....	295,973,697	298,706,471	2,732,774
28.2 Preferred stocks.....	0		0
28.3 Totals	295,973,697	298,706,471	2,732,774

28.4 Describe the sources or methods utilized in determining the fair values:.....

NAIC SVO Fair Values (and RMBS methodology) are used where available. Otherwise, the fair value of actively traded debt and equity securities are based on quoted market prices. Fair Value of inactively traded debt securities are based on quoted market prices of identical or similar securities.....

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?..... Yes [ ] No [ X ]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?..... Yes [ ] No [ ]

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:.....  
Fair Value of inactively traded debt securities are based on quoted market prices of identical or similar securities or based on observable inputs like interest rates using either a market or income valuation approach.....

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

30.2 If no, list exceptions:.....

### OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ .....815

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
WOLPER SUBSCRIPTION SERVICES INC.....	\$ .....815

32.1 Amount of payments for legal expenses, if any? \$ .....1,966,136

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
CHITTENDEN MURDAY & NOVOTNY LLC.....	\$ .....848,398

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....650

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
SOMERSET PULASKI COUNTY CHAMBER OF COMME.....	\$ .....650

# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ X ] No [ ]
- 1.2 If yes, indicate premium earned on U. S. business only \$ .....9,232
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....0
- 1.31 Reason for excluding .....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ .....3,512
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$ .....0
- 1.62 Total incurred claims \$ .....0
- 1.63 Number of covered lives .....0
- All years prior to most current three years:
- 1.64 Total premium earned \$ .....9,232
- 1.65 Total incurred claims \$ .....3,512
- 1.66 Number of covered lives .....2
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$ .....0
- 1.72 Total incurred claims \$ .....0
- 1.73 Number of covered lives .....0
- All years prior to most current three years:
- 1.74 Total premium earned \$ .....0
- 1.75 Total incurred claims \$ .....0
- 1.76 Number of covered lives .....0

2. Health Test:

	1		2
	Current Year		Prior Year
2.1 Premium Numerator	\$ .....1,767,233,548		\$ .....1,663,593,692
2.2 Premium Denominator	\$ .....1,767,233,548		\$ .....1,663,593,692
2.3 Premium Ratio (2.1/2.2)	.....1.000		.....1.000
2.4 Reserve Numerator	\$ .....183,425,587		\$ .....178,439,257
2.5 Reserve Denominator	\$ .....183,425,587		\$ .....178,439,257
2.6 Reserve Ratio (2.4/2.5)	.....1.000		.....1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes [ ] No [ X ]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [ X ] No [ ]
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [ ]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [ X ] No [ ]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$ .....570,000
- 5.32 Medical Only \$ .....
- 5.33 Medicare Supplement \$ .....
- 5.34 Dental and Vision \$ .....
- 5.35 Other Limited Benefit Plan \$ .....
- 5.36 Other \$ .....
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
 Provider contracts include hold harmless and continuation of benefits provisions. HMO has an indemnity agreement with the parent company.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [ X ] No [ ]
- 7.2 If no, give details:
8. Provide the following Information regarding participating providers:
- 8.1 Number of providers at start of reporting year .....3,919
- 8.2 Number of providers at end of reporting year .....4,251
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ X ] No [ ]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months .....25,393,241
- 9.22 Business with rate guarantees over 36 months .....

# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? Yes  No
- 10.2 If yes:
- |   |  |                   |
|---|--|-------------------|
| 10.21 Maximum amount payable bonuses          |  | \$.....1,987,544  |
| 10.22 Amount actually paid for year bonuses   |  | \$.....24,649,609 |
| 10.23 Maximum amount payable withholds        |  | \$.....           |
| 10.24 Amount actually paid for year withholds |  | \$.....           |
- 11.1 Is the reporting entity organized as:
- |   |  |   |
|---|--|---|
| 11.12 A Medical Group/Staff Model,                  |  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or, |  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.14 A Mixed Model (combination of above) ?        |  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes  No
- 11.3 If yes, show the name of the state requiring such net worth. Kentucky.....
- 11.4 If yes, show the amount required. \$.....108,234,224
- 11.5 Is this amount included as part of a contingency reserve in stockholders equity? Yes  No
- 11.6 If the amount is calculated, show the calculation.  
200% of Authorized Control Level Risk-Based Capital
- 12.1 List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Arizona: Apache, Cochise, Gila, Graham, Greenlee, LaPaz, Maricopa, Mohave, Navajo, Pima, Pinal, Santa Cruz, Yavapai, Yuma.....
Colorado: Adams, Arapahoe, Broomfield, Denver, Douglas, Jefferson, Boulder, Elbert, El Paso, Teller.....
Kansas: Atchison, Jefferson, Johnson, Leavenworth, Linn, Miami, Wyandote.....
Missouri: Bates, Buchanan, Caldwell, Carroll, Cass, Clay, Henry, Jackson, Johnson, Lafayette, Platte, Ray.....
Nevada -- Carson City, Clark, Lyon(p), Douglas(p), Nye(p), Storey, Washoe(p).....
Illinois: Cook, Dupage, Kane, Kankakee, Kendall, Lake, McHenry, Will, Boone, Brown, Bureau, Cass, DeKalb, Dewitt, Fulton, Grundy, Hancock, Henderson, Henry, Knox, LaSalle, Lee.....
Livingston, Marshall, McDonough, McLean, Mercer, Ogle, Peoria, Putman, Schuyler, Stark, Stephenson, Tazewell, Warren, Winnebago, Woodford.....
Indiana: Boone, Clark, Crawford, Dearborn, Dubois, Franklin, Floyd, Gibson, Hamilton, Hancock, Harrison, Hendricks, Howard, Jackson, Jennings, Johnson, Knox, Lake, LaPorte, Madison.....
Marion, Morgan, Ohio, Orange, Pike, Porter, Ripley, Scott, Shelby, Spencer, Tipton, Union, Vanderburgh, Warrick, Washington, Delaware, Jefferson, Posey.....
Kentucky: Adair, Allen, Anderson, Ballard, Barren, Bath, Bell, Boone, Bourbon, Boyd, Boyle, Bracken, Breathitt, Breckinridge, Bullitt, Butler, Caldwell, Calloway, Campbell, Carlisle, Carroll.....
Carter (p), Casey, Christian, Clark, Clay, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Elliott, Estill, Fayette, Fleming, Floyd, Franklin, Fulton, Gallatin, Garrard, Grant, Graves.....
Grayson, Greene, Greenup, Hancock, Hardin, Harlan, Harrison, Hart, Henderson, Henry, Hickman, Hopkins, Jackson, Jefferson, Jessamine, Johnson, Kenton, Knott, Knox, Larue, Laurel.....
Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Livingston, Logan, Lyon, Madison, Magoffin, Marion, Marshall, Martin, Mason, McCracken, McCreary, McLean, Meade, Menifee, Mercer.....
Metcalf, Monroe, Montgomery, Morgan, Muhlenberg, Nelson, Nicholas, Ohio, Oldham, Owen, Owsley, Pendleton, Perry, Pike, Powell, Pulaskie, Robertson, Rockcastle, Rowan, Russell.....
Scott, Shelby, Simpson, Spencer, Taylor, Todd, Trigg, Trimble, Union, Warren, Washington, Wayne, Webster, Whitley, Wolfe, Woodford.....
Tennessee -- Anderson, Bledsoe, Blount, Bradley, Campbell, Carter, Claiborne, Cocke, Davidson, DeKalb, Fayette, Grainger, Greene, Hamblen, Hamilton, Hancock, Hawkins, Jefferson.....
Johnson, Knox, Loudon, Macon, Marshall, McMinn, Meigs, Morgan, Rhea, Roane, Scott, Sequatchie, Sevier, Shelby, Smith, Sullivan, Tipton, Trousdale, Unicoi, Union, Washington, Wilson.....

- 13.1 Do you act as a custodian for health savings accounts? Yes  No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....
- 13.3 Do you act as an administrator for health savings accounts? Yes  No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$.....

**FIVE - YEAR HISTORICAL DATA**

	1 2009	2 2008	3 2007	4 2006	5 2005
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	405,427,583	382,870,007	336,191,587	410,078,474	393,710,930
2. Total liabilities (Page 3, Line 22)	229,812,569	205,601,476	189,906,025	202,409,785	218,828,383
3. Statutory surplus	108,234,224	94,472,130	88,906,342	102,000,318	186,933,661
4. Total capital and surplus (Page 3, Line 31)	175,615,014	177,268,531	146,285,563	207,668,689	174,882,547
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8)	1,767,214,459	1,663,551,577	1,413,109,913	1,490,668,998	1,656,164,327
6. Total medical and hospital expenses (Line 18)	1,514,220,353	1,441,893,004	1,154,074,326	1,233,234,629	1,401,478,878
7. Claims adjustment expenses (Line 20)	36,956,531	36,887,095	42,126,926	37,911,784	40,889,733
8. Total administrative expenses (Line 21)	219,225,645	219,548,685	203,451,127	173,131,198	212,010,526
9. Net underwriting gain (loss) (Line 24)	216,384	(29,580,864)	(8,788,969)	57,653,467	(17,273,608)
10. Net investment gain (loss) (Line 27)	9,604,693	13,508,162	6,371,025	16,841,566	15,057,439
11. Total other income (Lines 28 plus 29)	(18,287,474)	191,616	111,109	(500,590)	(689,268)
12. Net income (loss) (Line 32)	(8,901,986)	(14,076,328)	(16,118,226)	62,356,698	(6,824,661)
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11)	13,303,957	(1,749,475)	(13,081,799)	68,899,704	(27,670,807)
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital	175,615,014	177,268,531	146,285,563	207,668,689	174,882,547
15. Authorized control level risk-based capital	54,117,112	47,192,485	44,453,171	51,000,159	49,832,291
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	365,674	381,843	338,275	332,179	406,256
17. Total member months (Column 6, Line 7)	4,688,908	4,523,947	3,916,836	4,156,092	5,296,572
<b>Operating Percentage</b> (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	85.7	86.7	81.7	82.7	84.6
20. Cost containment expenses	0.3	0.3	0.5	0.5	0.9
21. Other claims adjustment expenses	1.8	1.9	2.5	2.0	1.6
22. Total underwriting deductions (Line 23)	100.0	101.8	100.6	96.1	101.0
23. Total underwriting gain (loss) (Line 24)	0.0	(1.8)	(0.6)	3.9	(1.0)
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	117,140,491	103,182,830	109,931,400	122,142,740	178,304,473
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	149,374,018	122,012,480	135,821,290	145,182,010	182,508,582
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24 Col. 1)	26,798,974	25,585,978	27,473,313	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31	26,798,974	25,585,978	27,473,313	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ ]

If no, please explain:

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

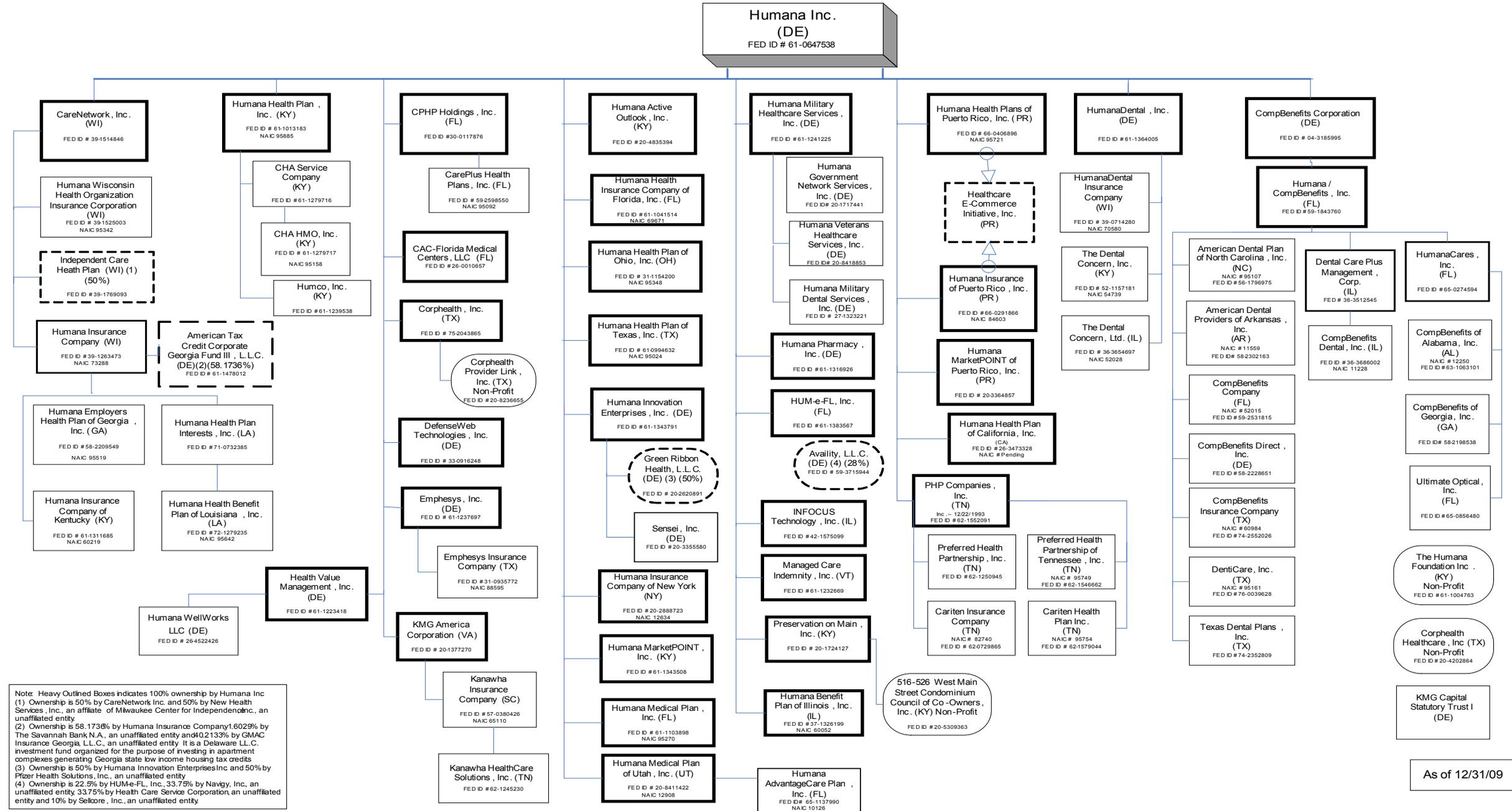
State, Etc.	1 Active Status	Direct Business Only								
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts	
1. Alabama	AL	L							.0	.0
2. Alaska	AK	N							.0	.0
3. Arizona	AZ	L	68,398,893	114,820,123	.0	1,174,077			184,393,093	.0
4. Arkansas	AR	L							.0	.0
5. California	CA	N							.0	.0
6. Colorado	CO	L	71,578,180	12,173,299	.0	.0			83,751,479	.0
7. Connecticut	CT	N							.0	.0
8. Delaware	DE	N							.0	.0
9. District of Columbia	DC	N							.0	.0
10. Florida	FL	N							.0	.0
11. Georgia	GA	N							.0	.0
12. Hawaii	HI	N							.0	.0
13. Idaho	ID	L							.0	.0
14. Illinois	IL	L	153,556,409	289,856,978	.0	78,809,086			522,222,473	.0
15. Indiana	IN	L	7,272,128	.0	.0	.0			7,272,128	.0
16. Iowa	IA	N							.0	.0
17. Kansas	KS	L	18,526,319	80,310,737	.0	1,095,232			99,932,288	.0
18. Kentucky	KY	L	509,029,381	.0	.0	571,721			509,601,102	.0
19. Louisiana	LA	N							.0	.0
20. Maine	ME	N							.0	.0
21. Maryland	MD	N							.0	.0
22. Massachusetts	MA	N							.0	.0
23. Michigan	MI	N							.0	.0
24. Minnesota	MN	N							.0	.0
25. Mississippi	MS	N							.0	.0
26. Missouri	MO	L	12,233,889	135,363,430	.0	25,721,067			173,318,386	.0
27. Montana	MT	N							.0	.0
28. Nebraska	NE	L							.0	.0
29. Nevada	NV	L	.0	316,666,791	.0	.0			316,666,791	.0
30. New Hampshire	NH	N							.0	.0
31. New Jersey	NJ	N							.0	.0
32. New Mexico	NM	L	.0	5,285,598	.0	.0			5,285,598	.0
33. New York	NY	N							.0	.0
34. North Carolina	NC	N							.0	.0
35. North Dakota	ND	N							.0	.0
36. Ohio	OH	N							.0	.0
37. Oklahoma	OK	N							.0	.0
38. Oregon	OR	N							.0	.0
39. Pennsylvania	PA	N							.0	.0
40. Rhode Island	RI	N							.0	.0
41. South Carolina	SC	L							.0	.0
42. South Dakota	SD	N							.0	.0
43. Tennessee	TN	L	971,015						971,015	.0
44. Texas	TX	N							.0	.0
45. Utah	UT	N							.0	.0
46. Vermont	VT	N							.0	.0
47. Virginia	VA	L							.0	.0
48. Washington	WA	L							.0	.0
49. West Virginia	WV	N							.0	.0
50. Wisconsin	WI	N							.0	.0
51. Wyoming	WY	N							.0	.0
52. American Samoa	AS	N							.0	.0
53. Guam	GU	N							.0	.0
54. Puerto Rico	PR	N							.0	.0
55. U.S. Virgin Islands	VI	N							.0	.0
56. Northern Mariana Islands	MP	N							.0	.0
57. Canada	CN	N							.0	.0
58. Aggregate Other Alien	OT	XXX	.0	.0	.0	.0	.0	.0	.0	.0
59. Subtotal	XXX		841,566,214	954,476,956	.0	107,371,183	.0	.0	1,903,414,353	.0
60. Reporting entity contributions for Employee Benefit Plans	XXX								.0	.0
61. Total (Direct Business)	(a) 17		841,566,214	954,476,956	0	107,371,183	0	0	1,903,414,353	0
<b>DETAILS OF WRITE-INS</b>										
5801.	XXX								.0	.0
5802.	XXX								.0	.0
5803.	XXX								.0	.0
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		.0	.0	.0	.0	.0	.0	.0	.0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		0	0	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.: The Company allocates group premium to the states by group and provider location.

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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