

Report of Examination of

Humana Health Plan of Ohio, Inc.
Cincinnati, Ohio

As of December 31, 2010

Table of Contents

Subject	Page
Salutation	1
Description of Company	1
Scope of Examination	1
Management and Control:	
Board of Directors.....	2
Officers	2
Insurance Holding Company System.....	2
Territory and Plan of Operations.....	3
Reinsurance.....	3
Significant Operating Results	4
Financial Statements:	
Statement of Assets, Liabilities, Capital and Surplus	5
Statement of Revenue and Expenses.....	7
Statement of Changes in the Capital and Surplus Account.....	8
Notes to Financial Statements:	
Investments	9
Claims Unpaid.....	9
Conclusion	9
Subsequent Events	10
Acknowledgement	10

Columbus, Ohio
March 12, 2012

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Ms. Taylor:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Humana Health Plan of Ohio, Inc.

an Ohio domiciled health insuring corporation hereinafter referred to as the “Company”.

Scope of Examination

The Department last examined the Company as of December 31, 2005. The Department’s current examination covers the period of January 1, 2006 through December 31, 2010. Representatives of the State of Wisconsin, Office of the Commissioner of Insurance, concurrently conducted an examination of Humana Insurance Company, an affiliate.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For all years under examination, the Certified Public Accounting firm of PricewaterhouseCoopers LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Bruce J. Goodman	Sr. Vice President, Chief Service and Information Officer, Humana Inc.
Michael B. McCallister	President and Chief Executive Officer, Humana Inc.
James E. Murray	Sr. Vice President, Chief Operating Officer, Humana Inc.
Melissa L. Weaver, M.D.	Medical Director, Humana Inc.

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
Michael B. McCallister	President and Chief Executive Officer
James H. Bloem	Sr. Vice President, Chief Financial Officer and Treasurer
Joan O. Lenahan	Vice President and Corporate Secretary

Insurance Holding Company System

The Company is a wholly-owned subsidiary of Humana Inc. ("Humana"), a publicly-traded holding company. Humana, a Delaware corporation, is the ultimate controlling person in an insurance holding company system as defined in ORC Section 3901.32. Through its subsidiaries, Humana offers health and supplemental benefit plans for employer groups, government programs and individuals.

Territory and Plan of Operations

The Company is licensed to offer coordinated health insurance coverage as a health maintenance organization (“HMO”) in the States of Indiana, Kentucky and Ohio. The commercial products, including a National Point of Service (“NPOS”) product offered jointly with Humana Insurance Company, are marketed primarily to employer groups.

Humana and other affiliated companies provide services to the Company, including but not limited to, medical and executive management, information systems, claims processing, billing and enrollment and telemarketing, under the terms of service agreements, as amended. The agreements and amendments thereto have been filed with, and approved by, the Department.

In 2010, the Company began offering Medicare Advantage plans under an agreement with the Centers for Medicare and Medicaid Services (“CMS”).

The following schedule illustrates the Company’s net premium written during the examination period by line of business, reported in thousands:

<u>Line of Business</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Comprehensive	\$195,273	\$283,134	\$275,537	\$142,554	\$232,913
Federal Employees	243	4,430	3,707	-	-
Medicare	<u>32,918</u>	-	-	-	-
Total direct premium	228,434	287,564	279,244	142,554	232,913
Reinsurance ceded	<u>130,109</u>	<u>242,816</u>	<u>213,372</u>	<u>76,342</u>	<u>46,741</u>
Total net premium	<u>\$ 98,325</u>	<u>\$ 44,748</u>	<u>\$ 65,872</u>	<u>\$ 66,212</u>	<u>\$186,172</u>

Reinsurance

Beginning January 1, 2006, the Company had ceded, on a 100% coinsurance basis, its portion of the NPOS product’s premiums and claims to Humana Insurance Company through a reinsurance contract. Effective October 1, 2010, the reinsurance contract was commuted and as a result, all reserves previously ceded under the contract become the full obligation of the Company.

Significant Operating Results

The Company reported the following underwriting results during the examination period, reported in thousands:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues	\$ 98,325	\$ 44,748	\$ 65,872	\$ 66,212	\$186,172
Underwriting deductions	<u>112,767</u>	<u>52,926</u>	<u>64,093</u>	<u>56,855</u>	<u>177,805</u>
Underwriting gain (loss)	<u>\$(14,442)</u>	<u>\$(8,178)</u>	<u>\$1,779</u>	<u>\$9,357</u>	<u>\$ 8,367</u>

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Revenue and Expenses

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2010**

<u>Assets</u>	
Bonds	\$ 23,143,341
Cash, cash equivalents, and short term investments	55,464,949
Other invested assets	560,670
Securities lending reinvested collateral assets	<u>554,170</u>
Subtotal, cash and invested assets	79,723,130
Investment income due and accrued	277,524
Uncollected premiums in course of collection	116,529
Accrued retrospective premiums	64,044
Amounts receivable relating to uninsured plans	29,028
Current federal income tax recoverable	451,893
Net deferred tax asset	5,521,031
Electronic data processing equipment and software	532,428
Health care and other amounts receivable	<u>964,519</u>
Total assets	<u>\$ 87,680,126</u>

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2010**

Liabilities

Claims unpaid	\$ 18,074,909
Accrued medical incentive pool and bonus amounts	100,000
Unpaid claims adjustment expenses	200,322
Aggregate health policy reserves	11,609,985
Aggregate health claim reserves	28,000
Premiums received in advance	2,271,538
General expenses due or accrued	4,668,342
Federal income tax payable	4,435,610
Ceded reinsurance premiums payable	32,681
Remittances and items not allocated	353,940
Amounts due to parent and affiliates	3,517,842
Payable for securities lending	591,832
Liability for amounts held under uninsured plans	<u>203,239</u>
Total liabilities	<u>46,088,240</u>

Capital and Surplus

Common capital stock	1,000
Gross paid in and contributed surplus	42,601,893
Unassigned funds	<u>(1,011,007)</u>
Total capital and surplus	<u>41,591,886</u>
Total liabilities, capital and surplus	<u>\$ 87,680,126</u>

**Statement of Revenues and Expenses
As of December 31, 2010**

Net premium income	<u>\$ 98,325,222</u>
Hospital/medical benefits	156,889,573
Other professional services	2,787,187
Emergency room and out-of-area	6,337,721
Prescription drugs	29,153,664
Incentive pool, withhold adjustments and bonus amounts	<u>184,844</u>
Subtotal	195,352,989
Less:	
Net reinsurance recoveries	<u>107,378,496</u>
Total hospital and medical	87,974,493
Claims adjustment expenses	5,348,958
General administrative expenses	19,453,518
Increase in reserves for accident and health contracts	<u>(10,000)</u>
Total underwriting deductions	<u>112,766,969</u>
Net underwriting gain (loss)	<u>(14,441,747)</u>
Net investment income earned	967,220
Net realized capital gains (losses)	<u>(2,195)</u>
Net investment gains	<u>965,025</u>
Miscellaneous income	<u>26</u>
Net income before federal income taxes	(13,476,696)
Federal income taxes incurred	<u>5,998,405</u>
Net income (loss)	<u><u>\$(19,475,101)</u></u>

Statement of Changes in the Capital and Surplus Account
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Capital and surplus, prior year end	\$16,178	\$24,614	\$41,892	\$55,845	\$41,959
Net income (loss)	(19,475)	(4,679)	4,230	13,520	14,031
Net unrealized gains (losses)	4	38	37	(92)	(1)
Change in net deferred income tax	10,890	157	(525)	(5,637)	(6,945)
Change in non-admitted assets	(1,007)	48	(6,020)	3,256	6,801
Other gain in surplus	2	-	-	-	-
Surplus adjustments	35,000	-	(40,000)	-	-
Dividends to stockholders	-	(4,000)	25,000	(25,000)	-
Net change during the year	<u>25,414</u>	<u>(8,436)</u>	<u>(17,278)</u>	<u>(13,953)</u>	<u>13,886</u>
Capital and surplus, year end	<u>\$41,592</u>	<u>\$16,178</u>	<u>\$24,614</u>	<u>\$41,892</u>	<u>\$55,845</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 1751.25 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Claims Unpaid

The Company's Board of Directors appointed Frank M. Amrine, FSA, MAAA, Actuarial Director, Humana Inc., to render the Company's Statement of Actuarial Opinion in connection with the preparation of the Company's December 31, 2010 Annual Statement.

Mary Miller, FCAS, MAAA, Assistant Director, Product Regulation and Actuarial Services with the Department, reviewed the Actuarial Opinion prepared by Mr. Amrine. In addition, Ms. Miller performed supplemental procedures as she considered necessary. Based on her analysis, Ms. Miller determined that the reserves appear to be adequate and the risk of material adverse deviation from current expectations is minimal.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2010, and is summarized as follows:

Total Assets	<u>\$ 87,680,126</u>
Liabilities	\$ 46,088,240
Capital and Surplus	<u>41,591,886</u>
Total Liabilities, Capital and Surplus	<u>\$ 87,680,126</u>

Subsequent Events

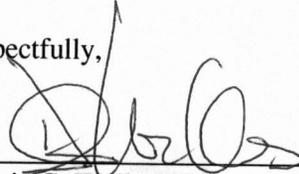
There have been no events subsequent to the examination date which would have a material effect on the financial condition of the Company.

Acknowledgement

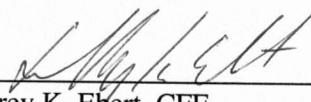
Appreciation is expressed for the assistance extended by the officers and employees of the Company and its affiliates during the course of this examination.

In addition to the undersigned, Mohammad Arif, AES, CFE; Mary Miller, FCAS, MAAA; and Jyotika Patel, CPA; of the Department, participated in this examination.

Respectfully,



Donnie G. Wells, CFE
Examiner in Charge
Office of Risk Assessment
Ohio Department of Insurance



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2010.

[Signature]
Examiner in Charge

3/12/12
Date

State of Ohio
County of Franklin

Personally appeared before me the above named Donnie G. Wells personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 12 day of March, 2012.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires

[Signature]
Assistant Chief Examiner

3/12/12
Date

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 12 day of March, 2012.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires