9 5 7 4 9 2 0 1 1 2 0 1 0 0 1 0 2

RECEIVED 2011 AUG 15 PM 1:49 GAI TENNONE

# QUARTERLY STATEMENT

RECEIVED 2011 AUG 12 PM 2:57 ANALYTICAL UNIT

**AS OF JUNE 30, 2011**

OF THE CONDITION AND AFFAIRS OF THE

## Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code 0119 (Current Period), 0119 (Prior Period) NAIC Company Code 95749 Employer's ID Number 62-1546662

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

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 09/02/1993 Commenced Business 01/01/1994

Statutory Home Office 1420 Centerpoint Blvd. (Street and Number), Knoxville, TN 37932 (City or Town, State and Zip Code)

Main Administrative Office 1420 Centerpoint Blvd. (Street and Number) Knoxville, TN 37932 (City or Town, State and Zip Code) 865-670-7282 (Area Code) (Telephone Number)

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

Primary Location of Books and Records 1420 Centerpoint Blvd. (Street and Number) Knoxville, TN 37932 (City or Town, State and Zip Code) 865-670-7282 (Area Code) (Telephone Number)

Internet Web Site Address www.humana.com

Statutory Statement Contact Stepheny Hensley (Name) 502-580-4489 (Area Code) (Telephone Number) (Extension)

DOIINQUIRIES@humana.com (E-mail Address) 502-580-2099 (FAX Number)

## OFFICERS

| Name | Title | Name | Title |
|---|---|---|---|
| Michael Benedict McCallister | CEO | Joan Olliges Lenahan | VP & Corporate Secretary |
| James Harry Bloem | Sr. VP, CFO & Treasurer | Frank Murray Amrine | Appointed Actuary |

## OTHER OFFICERS

| | | | |
|---|---|---|---|
| George Andreas Andrews M.D. | VP - CMO/Tennessee | George Grant Bauernfeind | Vice President |
| John Gregory Catron | Vice President | Roy Goldman Ph.D | VP & Chief Actuary |
| Douglas Edward Haaland | Mkt. Pres. - Sr. Prod./Tennessee | Charles Frederic Lambert III | Vice President |
| Thomas Joseph Liston | Sr. Vice President - Sr. Prod. | Clarence Evans Looney | Market President - Tennessee |
| George Renaudin | VP & Div. Leader - Southern Div. | Larry Dale Savage | Regional CEO |
| William Joseph Tait | Vice President | Joseph Christopher Ventura | Assistant Secretary |
| Ralph Martin Wilson | Vice President | | |

## DIRECTORS OR TRUSTEES

James Harry Bloem | Michael Benedict McCallister | James Elmer Murray

State of Kentucky
County of Jefferson ss

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<br>CEO | Joan Olliges Lenahan<br>VP & Corporate Secretary | James Harry Bloem<br>Sr. VP, CFO & Treasurer |
|---|---|---|

Subscribed and sworn to before me this 10th day of August, 2011

Myra Carpenter, Notary Public
August 9, 2013

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

# ASSETS

| | Current Statement Date 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | 4 December 31 Prior Year Net Admitted Assets |
|---|---|---|---|---|
| 1. Bonds | 1,244,138 | | 1,244,138 | 1,242,113 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | | | 0 | 0 |
| 2.2 Common stocks | | | 0 | 0 |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less $ 0 encumbrances) | | | 0 | 0 |
| 4.2 Properties held for the production of income (less $ 0 encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less $ 0 encumbrances) | | | 0 | 0 |
| 5. Cash ($ 84,053 ), cash equivalents ($ 1,799,988 ) and short-term investments ($ 102,224 ) | 1,986,265 | | 1,986,265 | 5,137,883 |
| 6. Contract loans (including $ 0 premium notes) | | | 0 | 0 |
| 7. Derivatives | | | 0 | 0 |
| 8. Other invested assets | 0 | | 0 | 0 |
| 9. Receivables for securities | | | 0 | 0 |
| 10. Securities lending reinvested collateral assets | | | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 3,230,403 | 0 | 3,230,403 | 6,379,996 |
| 13. Title plants less $ 0 charged off (for Title insurers only) | | | 0 | 0 |
| 14. Investment income due and accrued | 6,386 | | 6,386 | 6,492 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | | | 0 | 0 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums) | | | 0 | 0 |
| 15.3 Accrued retrospective premiums | | | 0 | 0 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | | | 0 | 0 |
| 16.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | | | 0 | 0 |
| 17. Amounts receivable relating to uninsured plans | | | 0 | 0 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | 0 | 0 |
| 18.2 Net deferred tax asset | 26,887 | | 26,887 | 26,887 |
| 19. Guaranty funds receivable or on deposit | | | 0 | 0 |
| 20. Electronic data processing equipment and software | | | 0 | 0 |
| 21. Furniture and equipment, including health care delivery assets ($ 0 ) | | | 0 | 0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | 70,738 | 70,738 | 0 | 0 |
| 24. Health care ($ 0 ) and other amounts receivable | | | 0 | 0 |
| 25. Aggregate write-ins for other than invested assets | 0 | 0 | 0 | 0 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 3,334,414 | 70,738 | 3,263,676 | 6,413,375 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | 0 | 0 |
| 28. Total (Lines 26 and 27) | 3,334,414 | 70,738 | 3,263,676 | 6,413,375 |
| **DETAILS OF WRITE-INS** | | | | |
| 1101. | | | 0 | 0 |
| 1102. | | | 0 | 0 |
| 1103. | | | 0 | 0 |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 | 0 |
| 2501. | | | 0 | 0 |
| 2502. | | | 0 | 0 |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 0 | 0 | 0 | 0 |

# LIABILITIES, CAPITAL AND SURPLUS

| | Current Period | | | Prior Year |
|---|---|---|---|---|
| | 1<br>Covered | 2<br>Uncovered | 3<br>Total | 4<br>Total |
| 1. Claims unpaid (less $ 0 reinsurance ceded) | | | 0 | 0 |
| 2. Accrued medical incentive pool and bonus amounts | | | 0 | 0 |
| 3. Unpaid claims adjustment expenses | | | 0 | 0 |
| 4. Aggregate health policy reserves | | | 0 | 0 |
| 5. Aggregate life policy reserves | | | 0 | 0 |
| 6. Property/casualty unearned premium reserve | | | 0 | 0 |
| 7. Aggregate health claim reserves | | | 0 | 0 |
| 8. Premiums received in advance | | | 0 | 0 |
| 9. General expenses due or accrued | 38,040 | | 38,040 | 86,188 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including $ 0 on realized gains (losses)) | 197,096 | | 197,096 | 164,986 |
| 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 $ 0 current) and interest thereon $ 0 (including $ 0 current) | | | 0 | 0 |
| 15. Amounts due to parent, subsidiaries and affiliates | | | 0 | 0 |
| 16. Derivatives | | | 0 | 0 |
| 17. Payable for securities | | | 0 | 0 |
| 18. Payable for securities lending | | | 0 | 0 |
| 19. Funds held under reinsurance treaties (with $ 0 authorized reinsurers and $ 0 unauthorized reinsurers) | | | 0 | 0 |
| 20. Reinsurance in unauthorized companies | | | 0 | 0 |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 22. Liability for amounts held under uninsured plans | | | 0 | 0 |
| 23. Aggregate write-ins for other liabilities (including $ 0 current) | 0 | 0 | 0 | 559,263 |
| 24. Total liabilities (Lines 1 to 23) | 235,136 | 0 | 235,136 | 810,437 |
| 25. Aggregate write-ins for special surplus funds | XXX | XXX | 0 | 0 |
| 26. Common capital stock | XXX | XXX | 1,000 | 1,000 |
| 27. Preferred capital stock | XXX | XXX | | 0 |
| 28. Gross paid in and contributed surplus | XXX | XXX | 61,379,848 | 61,379,848 |
| 29. Surplus notes | XXX | XXX | | 0 |
| 30. Aggregate write-ins for other than special surplus funds | XXX | XXX | 0 | 0 |
| 31. Unassigned funds (surplus) | XXX | XXX | (58,352,308) | (55,777,910) |
| 32. Less treasury stock, at cost: | | | | |
| 32.1 0 shares common (value included in Line 26 $ 0 ) | XXX | XXX | | 0 |
| 32.2 0 shares preferred (value included in Line 27 $ 0 ) | XXX | XXX | | 0 |
| 33. Total capital and surplus (Lines 25 to 31 minus Line 32) | XXX | XXX | 3,028,540 | 5,602,938 |
| 34. Total liabilities, capital and surplus (Lines 24 and 33) | XXX | XXX | 3,263,676 | 6,413,375 |
| **DETAILS OF WRITE-INS** | | | | |
| 2301. Miscellaneous Payable | | | 0 | 559,263 |
| 2302. | | | 0 | 0 |
| 2303. | | | 0 | 0 |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 0 | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | 0 | 0 | 0 | 559,263 |
| 2501. | XXX | XXX | | 0 |
| 2502. | XXX | XXX | | 0 |
| 2503. | XXX | XXX | | 0 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | XXX | XXX | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | XXX | XXX | 0 | 0 |
| 3001. | XXX | XXX | | 0 |
| 3002. | XXX | XXX | | 0 |
| 3003. | XXX | XXX | | 0 |
| 3098. Summary of remaining write-ins for Line 30 from overflow page | XXX | XXX | 0 | 0 |
| 3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above) | XXX | XXX | 0 | 0 |

# STATEMENT OF REVENUE AND EXPENSES

| | Current Year To Date | | Prior Year To Date | Prior Year Ended December 31 |
|---|---|---|---|---|
| | 1<br>Uncovered | 2<br>Total | 3<br>Total | 4<br>Total |
| 1. Member Months | XXX | | 0 | 0 |
| 2. Net premium income (including $ 0 non-health premium income) | XXX | | 0 | 0 |
| 3. Change in unearned premium reserves and reserve for rate credits | XXX | | 0 | 0 |
| 4. Fee-for-service (net of $ 0 medical expenses) | XXX | | 0 | 0 |
| 5. Risk revenue | XXX | | 0 | 0 |
| 6. Aggregate write-ins for other health care related revenues | XXX | 0 | 0 | 0 |
| 7. Aggregate write-ins for other non-health revenues | XXX | 0 | 0 | 0 |
| 8. Total revenues (Lines 2 to 7) | XXX | 0 | 0 | 0 |
| **Hospital and Medical:** | | | | |
| 9. Hospital/medical benefits | | (607,181) | (72,089) | (72,089) |
| 10. Other professional services | | | 0 | 0 |
| 11. Outside referrals | | | 0 | 0 |
| 12. Emergency room and out-of-area | | | 0 | 0 |
| 13. Prescription drugs | | | 0 | 0 |
| 14. Aggregate write-ins for other hospital and medical | 0 | 0 | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts | | | 0 | 0 |
| 16. Subtotal (Lines 9 to 15) | 0 | (607,181) | (72,089) | (72,089) |
| **Less:** | | | | |
| 17. Net reinsurance recoveries | | | 0 | 0 |
| 18. Total hospital and medical (Lines 16 minus 17) | 0 | (607,181) | (72,089) | (72,089) |
| 19. Non-health claims (net) | | | 0 | 0 |
| 20. Claims adjustment expenses, including $ 0 cost containment expenses | | | 0 | 0 |
| 21. General administrative expenses | | 35,419 | 21,195 | 94,974 |
| 22. Increase in reserves for life and accident and health contracts (including $ 0 increase in reserves for life only) | | | 0 | 0 |
| 23. Total underwriting deductions (Lines 18 through 22) | 0 | (571,762) | (50,894) | 22,885 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | 571,762 | 50,894 | (22,885) |
| 25. Net investment income earned | | 28,431 | 244,765 | 274,269 |
| 26. Net realized capital gains (losses) less capital gains tax of $ | | | 161,581 | 161,581 |
| 27. Net investment gains (losses) (Lines 25 plus 26) | 0 | 28,431 | 406,346 | 435,850 |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $ ) (amount charged off $ )] | | | 0 | 0 |
| 29. Aggregate write-ins for other income or expenses | 0 | 0 | 0 | 0 |
| 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 | 600,193 | 457,240 | 412,965 |
| 31. Federal and foreign income taxes incurred | XXX | 184,741 | 85,834 | 58,015 |
| 32. Net income (loss) (Lines 30 minus 31) | XXX | 415,452 | 371,406 | 354,950 |
| **DETAILS OF WRITE-INS** | | | | |
| 0601. | XXX | | 0 | 0 |
| 0602. | XXX | | 0 | 0 |
| 0603. | XXX | | 0 | 0 |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | XXX | 0 | 0 | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | XXX | 0 | 0 | 0 |
| 0701. | XXX | | 0 | 0 |
| 0702. | XXX | | 0 | 0 |
| 0703. | XXX | | 0 | 0 |
| 0798. Summary of remaining write-ins for Line 7 from overflow page | XXX | 0 | 0 | 0 |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) | XXX | 0 | 0 | 0 |
| 1401. | | | 0 | 0 |
| 1402. | | | | |
| 1403. | | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | 0 | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | 0 | 0 | 0 | 0 |
| 2901. | | | 0 | 0 |
| 2902. | | | | |
| 2903. | | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | 0 | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 0 | 0 | 0 | 0 |

# STATEMENT OF REVENUE AND EXPENSES (Continued)

| | | 1<br>Current Year To Date | 2<br>Prior Year To Date | 3<br>Prior Year Ended December 31 |
|---|---|---|---|---|
| | **CAPITAL & SURPLUS ACCOUNT** | | | |
| 33. | Capital and surplus prior reporting year | 5,602,938 | 24,958,197 | 24,958,197 |
| 34. | Net income or (loss) from Line 32 | 415,452 | 371,406 | 354,950 |
| 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 $ 0 | | 0 | 0 |
| 37. | Change in net unrealized foreign exchange capital gain or (loss) | | 0 | 0 |
| 38. | Change in net deferred income tax | | 0 | (94,621) |
| 39. | Change in nonadmitted assets | 10,150 | 382,808 | 384,412 |
| 40. | Change in unauthorized reinsurance | 0 | 0 | 0 |
| 41. | Change in treasury stock | | 0 | 0 |
| 42. | Change in surplus notes | 0 | 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 | 0 |
| | 45.2 Transferred to capital (Stock Dividend) | 0 | 0 | 0 |
| | 45.3 Transferred from capital | | 0 | 0 |
| 46. | Dividends to stockholders | (3,000,000) | (20,000,000) | (20,000,000) |
| 47. | Aggregate write-ins for gains or (losses) in surplus | 0 | 0 | 0 |
| 48. | Net change in capital and surplus (Lines 34 to 47) | (2,574,398) | (19,245,786) | (19,355,259) |
| 49. | Capital and surplus end of reporting period (Line 33 plus 48) | 3,028,540 | 5,712,411 | 5,602,938 |
| | **DETAILS OF WRITE-INS** | | | |
| 4701. | | | 0 | 0 |
| 4702. | | | 0 | 0 |
| 4703. | | | 0 | 0 |
| 4798. | Summary of remaining write-ins for Line 47 from overflow page | 0 | 0 | 0 |
| 4799. | Totals (Lines 4701 through 4703 plus 4798) (Line 47 above) | 0 | 0 | 0 |

# CASH FLOW

| | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| **Cash from Operations** | | | |
| 1. Premiums collected net of reinsurance | 0 | 0 | 0 |
| 2. Net investment income | 26,512 | 531,439 | 558,839 |
| 3. Miscellaneous income | 0 | 0 | 0 |
| 4. Total (Lines 1 to 3) | 26,512 | 531,439 | 558,839 |
| 5. Benefit and loss related payments | (607,181) | (72,089) | (72,089) |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | 0 | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 81,534 | 16,812 | 11,426 |
| 8. Dividends paid to policyholders | | 0 | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses) | 152,631 | 0 | (19,966) |
| 10. Total (Lines 5 through 9) | (373,016) | (55,277) | (80,629) |
| 11. Net cash from operations (Line 4 minus Line 10) | 399,528 | 586,716 | 639,468 |
| **Cash from Investments** | | | |
| 12. Proceeds from investments sold, matured or repaid: | | | |
| 12.1 Bonds | 0 | 19,375,621 | 19,375,621 |
| 12.2 Stocks | 0 | 0 | 0 |
| 12.3 Mortgage loans | 0 | 0 | 0 |
| 12.4 Real estate | 0 | 0 | 0 |
| 12.5 Other invested assets | 0 | 0 | 0 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 0 | (11) | (11) |
| 12.7 Miscellaneous proceeds | 0 | 0 | 0 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 0 | 19,375,610 | 19,375,610 |
| 13. Cost of investments acquired (long-term only): | | | |
| 13.1 Bonds | 0 | 625,606 | 625,606 |
| 13.2 Stocks | 0 | 0 | 0 |
| 13.3 Mortgage loans | 0 | 0 | 0 |
| 13.4 Real estate | 0 | 0 | 0 |
| 13.5 Other invested assets | 0 | 0 | 0 |
| 13.6 Miscellaneous applications | 0 | 0 | 0 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 0 | 625,606 | 625,606 |
| 14. Net increase (or decrease) in contract loans and premium notes | 0 | 0 | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) | 0 | 18,750,004 | 18,750,004 |
| **Cash from Financing and Miscellaneous Sources** | | | |
| 16. Cash provided (applied): | | | |
| 16.1 Surplus notes, capital notes | 0 | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock | 0 | 0 | 0 |
| 16.3 Borrowed funds | 0 | 0 | 0 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | 0 | 0 |
| 16.5 Dividends to stockholders | 3,000,000 | 20,000,000 | 20,000,000 |
| 16.6 Other cash provided (applied) | (551,146) | 582,178 | 865,584 |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | (3,551,146) | (19,417,822) | (19,134,416) |
| **RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS** | | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (3,151,618) | (81,102) | 255,056 |
| 19. Cash, cash equivalents and short-term investments: | | | |
| 19.1 Beginning of year | 5,137,883 | 4,882,827 | 4,882,827 |
| 19.2 End of period (Line 18 plus Line 19.1) | 1,986,265 | 4,801,725 | 5,137,883 |

STATEMENT AS OF JUNE 30, 2011 OF THE Preferred Health Partnership of Tennessee, Inc.

# EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

| | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2 | 3 | | | | | | | |
| | Total | Individual | Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| Total Members at end of: | | | | | | | | | | |
| 1. Prior Year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 First Quarter | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 Second Quarter | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Third Quarter | 0 | | | | | | | | | |
| 5. Current Year | 0 | | | | | | | | | |
| 6 Current Year Member Months | 0 | | | | | | | | | |
| Total Member Ambulatory Encounters for Period: | | | | | | | | | | |
| 7. Physician | 0 | | | | | | | | | |
| 8. Non-Physician | 0 | | | | | | | | | |
| 9. Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Hospital Patient Days Incurred | 0 | | | | | | | | | |
| 11. Number of Inpatient Admissions | 0 | | | | | | | | | |
| 12. Health Premiums Written (a) | 0 | | | | | | | | | |
| 13. Life Premiums Direct | 0 | | | | | | | | | |
| 14. Property/Casualty Premiums Written | 0 | | | | | | | | | |
| 15. Health Premiums Earned | 0 | | | | | | | | | |
| 16. Property/Casualty Premiums Earned | 0 | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services | (607,181) | | | | | | | | (607,181) | |
| 18. Amount Incurred for Provision of Health Care Services | (607,181) | | | | | | | | (607,181) | |

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees $

# CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

| 1<br>Account | 2<br>1 - 30 Days | 3<br>31 - 60 Days | 4<br>61 - 90 Days | 5<br>91 - 120 Days | 6<br>Over 120 Days | 7<br>Total |
|---|---|---|---|---|---|---|
| Claims unpaid (Reported) | | | | | | |
| 0199999 Individually listed claims unpaid | 0 | 0 | 0 | 0 | 0 | 0 |
| 0299999 Aggregate accounts not individually listed-uncovered | | | | | | 0 |
| 0399999 Aggregate accounts not individually listed-covered | | | | | | 0 |
| 0499999 Subtotals | 0 | 0 | 0 | 0 | 0 | 0 |
| 0599999 Unreported claims and other claim reserves | XXX | XXX | XXX | XXX | XXX | |
| 0699999 Total amounts withheld | XXX | XXX | XXX | XXX | XXX | |
| 0799999 Total claims unpaid | XXX | XXX | XXX | XXX | XXX | 0 |
| 0899999 Accrued medical incentive pool and bonus amounts | XXX | XXX | XXX | XXX | XXX | |

NONE

# UNDERWRITING AND INVESTMENT EXHIBIT

## ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

| Line of Business | Claims Paid Year to Date | | Liability End of Current Quarter | | 5 | 6 |
|---|---|---|---|---|---|---|
| | 1<br>On Claims Incurred Prior to January 1 of Current Year | 2<br>On Claims Incurred During the Year | 3<br>On Claims Unpaid Dec. 31 of Prior Year | 4<br>On Claims Incurred During the Year | Claims Incurred in Prior Years (Columns 1 + 3) | Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year |
| 1. Comprehensive (hospital and medical) | | | | | 0 | 0 |
| 2. Medicare Supplement | | | | | 0 | 0 |
| 3. Dental Only | | | | | 0 | 0 |
| 4. Vision Only | | | | | 0 | 0 |
| 5. Federal Employees Health Benefits Plan | | | | | 0 | 0 |
| 6. Title XVIII - Medicare | | | | | 0 | 0 |
| 7. Title XIX - Medicaid | (607,181) | | | | (607,181) | 0 |
| 8. Other health | | | | | 0 | 0 |
| 9. Health subtotal (Lines 1 to 8) | (607,181) | 0 | 0 | 0 | (607,181) | 0 |
| 10. Health care receivables (a) | | | | | 0 | 0 |
| 11. Other non-health | | | | | 0 | 0 |
| 12. Medical incentive pools and bonus amounts | | | | | 0 | 0 |
| 13. Totals (Lines 9-10+11+12) | (607,181) | 0 | 0 | 0 | (607,181) | 0 |

(a) Excludes $ ..... loans or advances to providers not yet expensed.

# NOTES TO FINANCIAL STATEMENTS

Statement as of June 30, 2011 of the Preferred Health Partnership of Tennessee, Inc.

## 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 Tennessee Department of Insurance.

The Tennessee Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee 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 Tennessee. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices. The Company's risk-based capital would have not triggered a regulatory event had it not used a prescribed or permitted practice.

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

| | State of Domicile | | 2011 | | 2010 |
|---|---|---|---|---|---|
| Net Income | | | | | |
| 1. Preferred Health Partnership of Tennessee, Inc. Tennessee basis | TN | $ | 415,452 | $ | 354,950 |
| 2. State Prescribed Practices that increase/(decrease) NAIC SAP | TN | | - | | - |
| 3. State Permitted Practices that increase/(decrease) NAIC SAP | TN | | - | | - |
| 4. NAIC SAP | TN | $ | 415,452 | $ | 354,950 |
| Surplus | | | | | |
| 5. Preferred Health Partnership of Tennessee, Inc. Tennessee basis | TN | $ | 3,263,676 | $ | 5,602,938 |
| 6. State Prescribed Practices that increase/(decrease) NAIC SAP | TN | | | | - |
| 7. State Permitted Practices that increase/(decrease) NAIC SAP: | TN | | | | |
| a. Nonadmitted Intercompany Receivable | TN | | 70,738 | | 78,855 |
| 8. NAIC SAP | TN | $ | 3,334,414 | $ | 5,681,793 |

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

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.

In addition, the Company uses the following accounting policies:

(1) 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.

(2)-(4) 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.

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

# NOTES TO FINANCIAL STATEMENTS

nonadmitted.

(5) 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.

(6) For loan backed and structured securities where the securities fair value is less then 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.

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

(8) The Company accounts for its investments in joint ventures, partnerships and LLC's using the audited statutory equity method of accounting.

(9) 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.

(10)-(11) 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.

(12) 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.

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

2. Accounting Changes and Corrections of Errors

Not Applicable.

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.

# NOTES TO FINANCIAL STATEMENTS

B. Debt Restructuring

Not Applicable.

C. Reverse Mortgages

Not Applicable.

D. Loan-Backed Securities

The Company does not have any investments in an other-than-temporary impairment position at June 30, 2011.

The Company does not have any loan-backed securities in an unrealized position at quarter-end.

E. Repurchase Agreements and/or Securities Lending Transactions

The Company has no repurchase agreements or securities lending transactions.

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

No material change since year-end December 31, 2010.

10. Information Concerning Parent, Subsidiaries and Affiliates

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, 2010 and 2009 were approximately $0 and $0 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. Dividends of $3 million were paid to Humana Inc. on April 28, 2011. The Department of Insurance was notified prior to the payment of this dividend. At December 31, 2010, the Company reported $0 amounts due from Humana Inc. Amounts due to or from parent are generally settled within 30 days.

G. Not Applicable.
H. Not Applicable.
I. Not Applicable.
J. Not Applicable.
K. Not Applicable.
L. Not Applicable.

11. Debt

A. Debt, including capital notes

The Company has no debentures outstanding.

The Company has no capital notes outstanding.

The Company does not have any reverse repurchase agreements.

B. Federal Home Loan Bank (FHLB) agreements

The Company does not have any FHLB agreements.

# NOTES TO FINANCIAL STATEMENTS

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

No material change since year ended December 31, 2010.

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 $10 par value common stock with 1,000 shares authorized and 100 shares issued and outstanding.
2) The Company has no preferred stock outstanding.

3-5) Dividends are noncumulative and are paid as determined by the Board of Directors. Without prior approval from the Department of Insurance, dividends to shareholders are limited by the regulations of the Company's state of domicile and are based on restrictions relating to surplus and net gain from operations.
Dividends of $3 million were paid to Humana Inc. on April 28, 2011. The Department of Insurance was notified prior to the payment of this dividend.

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) Not Applicable.
11) Not Applicable.
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

Not Applicable.

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 not aware of any other material contingent liabilities as of June 30, 2011.

15. Leases

No material changes since year-end December 31, 2010.

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

The Company has no investment in Financial Instruments with Off Balance Sheet Risk or with Concentrations of Credit Risk.

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

# NOTES TO FINANCIAL STATEMENTS

A. Transfers of Receivables Reported as Sales

Not Applicable.

B. Transfer and Servicing of Financial Assets

Not Applicable.

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

Not Applicable.

B. ASC Plans

Not Applicable.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

Not Applicable.

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

Not Applicable.

20. Fair Value Measurements

A. (1) The Company did not have any financial assets carried at fair value at June 30, 2011.

(2) There were no fair value measurements using significant unobservable inputs. The Company reports transfers between fair value hierarchy levels at the end of the reporting period. There were no transfers between the fair value hierarchy levels between December 31, 2010 and June 30, 2011.

(3) Fair value of actively traded debt securities are based on quoted market prices. Fair value of other debt securities are based on quoted market prices of identical or similar securities or based on observable inputs like interest rates generally using a market valuation approach, or, less frequently, an income valuation approach and are generally classified as Level 2. The Company generally obtains one quoted price for each security from a third party pricing service. These prices are generally derived from recently reported trades for identical or similar securities, including adjustments through the reporting date based upon observable market information. When quoted prices are not available, the third party pricing service may use quoted market prices of comparable securities or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include benchmark yields, reported trades, credit spreads, broker quotes, default rates and prepayment speeds. The Company is responsible for the determination of fair value and as such, the Company performs analysis on the prices received from the third party pricing service to determine whether the prices are reasonable estimates of fair value. The Company's analysis includes a review of monthly price fluctuations as well as a quarterly comparison of the prices received from the pricing service to prices reported by the Company's third party investment advisor. Based on the Company's internal price verification procedures and review of fair value methodology documentation provided by the third party pricing service, there were no material adjustments to the prices obtained from the third party pricing service during the year ended December 31, 2010.

B. No assets or liabilities were measured at fair value on a non-recurring basis.

C. Not Applicable.

D. Not Applicable.

21. 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.

# NOTES TO FINANCIAL STATEMENTS

F. State Transferable Tax Credits

Not Applicable.

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

22. Events Subsequent2

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 August 12, 2011 for the statutory statement issued on August 12, 2011.

23. 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 )

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 )

# NOTES TO FINANCIAL STATEMENTS

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.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not Applicable.

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2010 were $0. As of June 30, 2011, $0 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years.

There are no reserves remaining for prior years as a result of reestimation of unpaid claims and claim adjustment expenses on any book of business. "There has been neither favorable nor an unfavorable prior-year development since December 31, 2010. The Company has no retrospectively rated policies.

26. Intercompany Pooling Arrangements

A.-F. Not Applicable.

27. Structured Settlements

The Company has no structured settlements.

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

Not Applicable.

B. Risk Sharing Receivables

Not Applicable.

29. Participating Policies

The Company has no participating policies.

30. Premium Deficiency Reserves

| | |
|---|---|
| 1. Liability carried for premium deficiency reserves | $ - |
| 2. Date of the most recent evaluation of this liability | December 31, 2010 |
| 3. Was anticipated investment income utilized in the calculation? | Yes ( ) No ( X ) |

31. Anticipated Salvage and Subrogation

Not Applicable.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES
## GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [X]

1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [X]

2.2 If yes, date of change: .....

3. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]

If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [X]

4.2 If yes, provide the name of 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<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---|---|---|
| | | |

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [X] NA [ ]

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ..... 12/31/2005

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ..... 12/31/2005

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ..... 12/28/2006

6.4 By what department or departments?

Tennessee Department of Insurance.....

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [X] No [ ] NA [ ]

6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [X] No [ ] NA [ ]

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [X]

7.2 If yes, give full information:

.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?..... Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

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

# GENERAL INTERROGATORIES

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? ..... Yes [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.

9.11 If the response to 9.1 is No, please explain:

.....

9.2 Has the code of ethics for senior managers been amended? ..... Yes [ ] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? ..... Yes [ ] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

.....

## FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes [X] No [ ]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... $ 70,738

## INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes [ ] No [X]

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

.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... $ 0

13. Amount of real estate and mortgages held in short-term investments: ..... $ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes [ ] No [X]

14.2 If yes, please complete the following:

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

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ]

If no, attach a description with this statement.

# GENERAL INTERROGATORIES

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

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

| 1<br>Name of Custodian(s) | 2<br>Custodian Address |
|---|---|
| JP Morgan Chase | 4 New York Plaza, 15th Floor, New York, NY 10004-2413, Attn: Charles Tuzzolino |

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

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|---|---|---|
| | | |

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

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

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|---|---|---|---|
| | | | |

16.5 Identify all investment advisors, broker/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<br>Central Registration Depository | 2<br>Name(s) | 3<br>Address |
|---|---|---|
| 107105.00 | Blackrock, Inc | 40 East 52nd Street, New York, NY 10022 |

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

17.2 If no, list exceptions:

.....

# GENERAL INTERROGATORIES

## PART 2 - HEALTH

1 Operating Percentages

| | |
|---|---|
| 1.1 A&H loss percent | 0.0 % |
| 1.2 A&H cost containment percent | 0.0 % |
| 1.3 A&H expense percent excluding cost containment expenses | 0.0 % |
| 2.1 Do you act as a custodian for health savings accounts? | Yes [ ] No [X] |
| 2.2 If yes, please provide the amount of custodial funds held as of the reporting date | $ |
| 2.3 Do you act as an administrator for health savings accounts? | Yes [ ] No [X] |
| 2.4 If yes, please provide the balance of the funds administered as of the reporting date | $ |

# SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

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

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

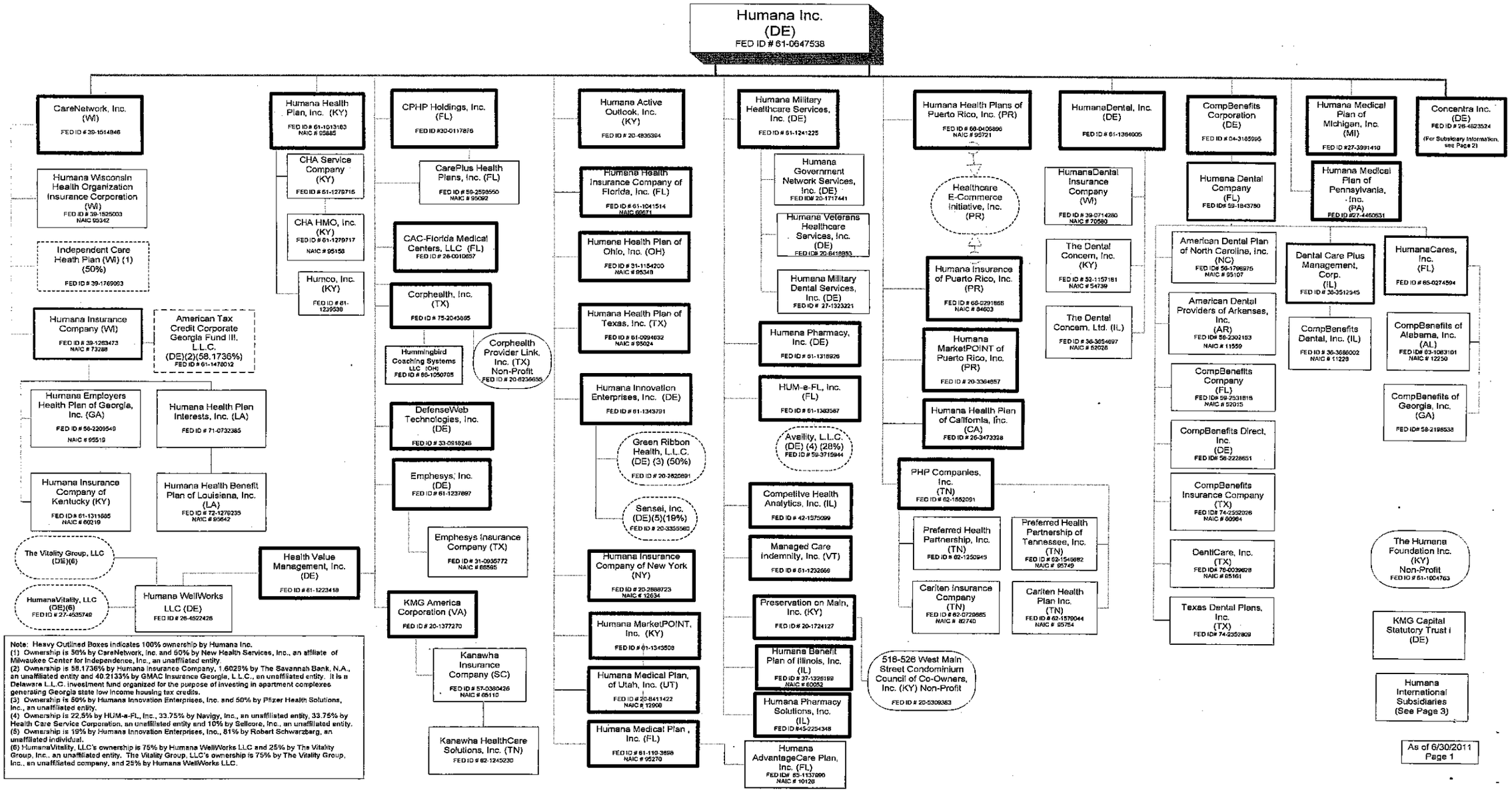
| States, Etc. | 1 Active Status | Direct Business Only 2 Accident & Health Premiums | 3 Medicare Title XVIII | 4 Medicaid Title XIX | 5 Federal Employees Health Benefits Program Premiums | 6 Life & Annuity Premiums & Other Considerations | 7 Property/ Casualty Premiums | 8 Total Columns 2 Through 7 | 9 Deposit-Type Contracts |
|---|---|---|---|---|---|---|---|---|---|
| 1. Alabama AL | N | | | | | | | 0 | |
| 2. Alaska AK | N | | | | | | | 0 | |
| 3. Arizona AZ | N | | | | | | | 0 | |
| 4. Arkansas AR | N | | | | | | | 0 | |
| 5. California CA | N | | | | | | | 0 | |
| 6. Colorado CO | N | | | | | | | 0 | |
| 7. Connecticut CT | N | | | | | | | 0 | |
| 8. Delaware DE | N | | | | | | | 0 | |
| 9. Dist. Columbia DC | N | | | | | | | 0 | |
| 10. Florida FL | N | | | | | | | 0 | |
| 11. Georgia GA | N | | | | | | | 0 | |
| 12. Hawaii HI | N | | | | | | | 0 | |
| 13. Idaho ID | N | | | | | | | 0 | |
| 14. Illinois IL | N | | | | | | | 0 | |
| 15. Indiana IN | N | | | | | | | 0 | |
| 16. Iowa IA | N | | | | | | | 0 | |
| 17. Kansas KS | N | | | | | | | 0 | |
| 18. Kentucky KY | N | | | | | | | 0 | |
| 19. Louisiana LA | N | | | | | | | 0 | |
| 20. Maine ME | N | | | | | | | 0 | |
| 21. Maryland MD | N | | | | | | | 0 | |
| 22. Massachusetts MA | N | | | | | | | 0 | |
| 23. Michigan MI | N | | | | | | | 0 | |
| 24. Minnesota MN | N | | | | | | | 0 | |
| 25. Mississippi MS | N | | | | | | | 0 | |
| 26. Missouri MO | N | | | | | | | 0 | |
| 27. Montana MT | N | | | | | | | 0 | |
| 28. Nebraska NE | N | | | | | | | 0 | |
| 29. Nevada NV | N | | | | | | | 0 | |
| 30. New Hampshire NH | N | | | | | | | 0 | |
| 31. New Jersey NJ | N | | | | | | | 0 | |
| 32. New Mexico NM | N | | | | | | | 0 | |
| 33. New York NY | N | | | | | | | 0 | |
| 34. North Carolina NC | N | | | | | | | 0 | |
| 35. North Dakota ND | N | | | | | | | 0 | |
| 36. Ohio OH | N | | | | | | | 0 | |
| 37. Oklahoma OK | N | | | | | | | 0 | |
| 38. Oregon OR | N | | | | | | | 0 | |
| 39. Pennsylvania PA | N | | | | | | | 0 | |
| 40. Rhode Island RI | N | | | | | | | 0 | |
| 41. South Carolina SC | N | | | | | | | 0 | |
| 42. South Dakota SD | N | | | | | | | 0 | |
| 43. Tennessee TN | L | | | | | | | 0 | |
| 44. Texas TX | N | | | | | | | 0 | |
| 45. Utah UT | N | | | | | | | 0 | |
| 46. Vermont VT | N | | | | | | | 0 | |
| 47. Virginia VA | N | | | | | | | 0 | |
| 48. Washington WA | N | | | | | | | 0 | |
| 49. West Virginia WV | N | | | | | | | 0 | |
| 50. Wisconsin WI | N | | | | | | | 0 | |
| 51. Wyoming WY | N | | | | | | | 0 | |
| 52. American Samoa AS | N | | | | | | | 0 | |
| 53. Guam GU | N | | | | | | | 0 | |
| 54. Puerto Rico PR | N | | | | | | | 0 | |
| 55. U.S. Virgin Islands VI | N | | | | | | | 0 | |
| 56. Northern Mariana Islands MP | N | | | | | | | 0 | |
| 57. Canada CN | N | | | | | | | 0 | |
| 58. Aggregate other alien OT | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. Subtotal | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 60. Reporting entity contributions for Employee Benefit Plans | XXX | | | | | | | 0 | |
| 61. Total (Direct Business) | (a) 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 5801. | XXX | | | | | | | 0 | |
| 5802. | XXX | | | | | | | 0 | |
| 5803. | XXX | | | | | | | 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 |

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

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

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

## PART 1 - ORGANIZATIONAL CHART

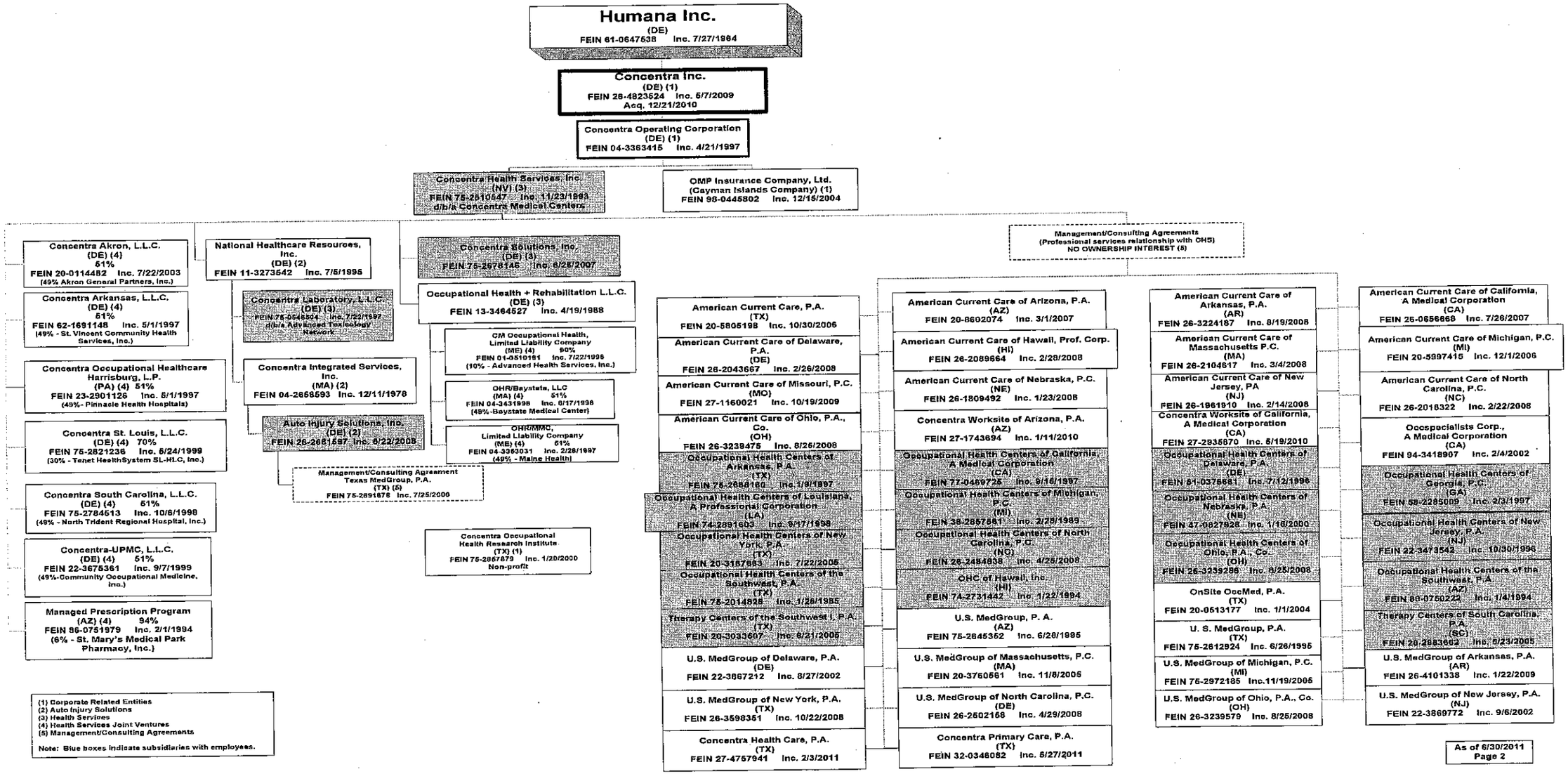



Note: Heavy Outlined Boxes indicates 100% ownership by Humana Inc.
(1) Ownership is 50% by CareNetwork, Inc. and 50% by New Health Services, Inc., an affiliate of Milwaukee Center for Independence, Inc., an unaffiliated entity.
(2) Ownership is 58.1736% by Humana Insurance Company, 1.6023% by The Savannah Bank, N.A., an unaffiliated entity and 40.2133% by GMAC Insurance Georgia, L.L.C., an unaffiliated entity. It is a Delaware L.L.C. investment fund organized for the purpose of investing in apartment complexes generating Georgia state low income housing tax credits.
(3) Ownership is 50% by Humana Innovation Enterprises, Inc. and 50% by Pfizer Health Solutions, Inc., an unaffiliated entity.
(4) Ownership is 22.5% by HUM-e-FL, Inc., 33.75% by Navigy, Inc., an unaffiliated entity, 33.75% by Health Care Service Corporation, an unaffiliated entity and 10% by Sellcore, Inc., an unaffiliated entity.
(5) Ownership is 19% by Humana Innovation Enterprises, Inc., 81% by Robert Schwarzberg, an unaffiliated individual.
(6) HumanaVitality, LLC's ownership is 75% by Humana WellWorks LLC and 25% by The Vitality Group, Inc., an unaffiliated entity. The Vitality Group, LLC's ownership is 75% by The Vitality Group, Inc., an unaffiliated company, and 25% by Humana WellWorks LLC.

As of 6/30/2011
Page 1

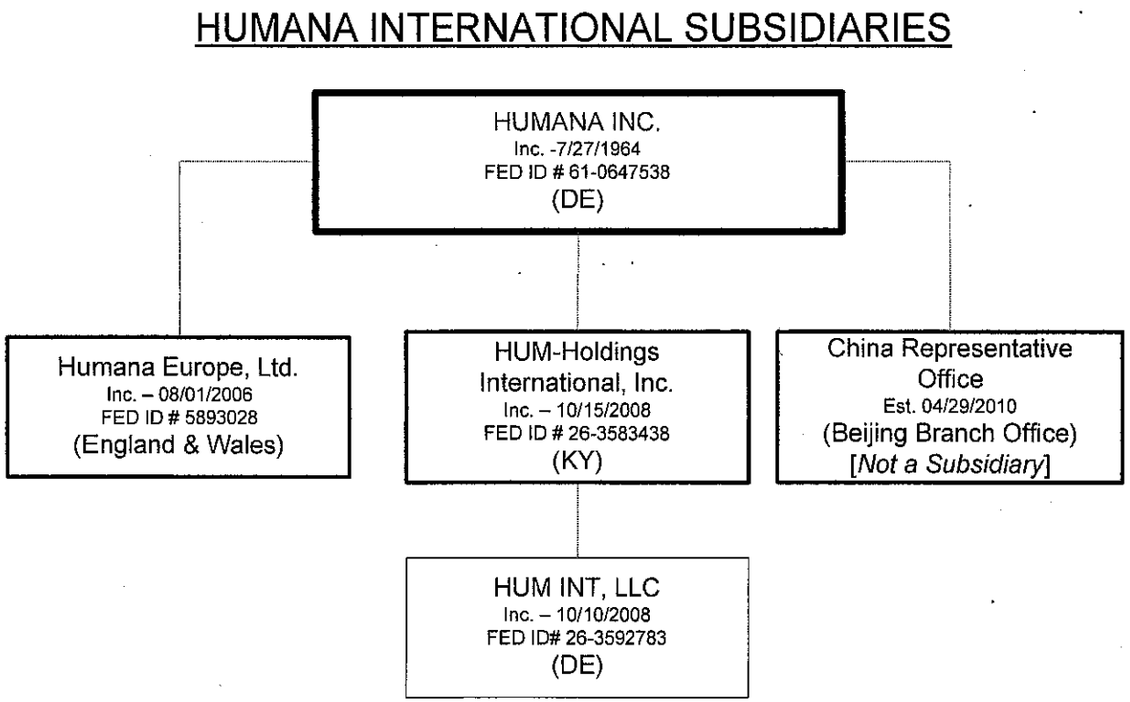
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

| | RESPONSE |
|---|---|
| 1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement? | NO |

**Explanation:**

1. This type of business is not written.

**Bar Code:**

1. 9 5 7 4 9 2 0 1 1 3 6 5 0 0 0 0 2

# SCHEDULE A – VERIFICATION

**Real Estate**

NONE

| | 1<br>Year To Date | 2<br>Prior Year Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value, December 31 of prior year | 0 | 0 |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition | | 0 |
| 2.2 Additional investment made after acquisition | | 0 |
| 3. Current year change in encumbrances | | 0 |
| 4. Total gain (loss) on disposals | | 0 |
| 5. Deduct amounts received on disposals | | 0 |
| 6. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 7. Deduct current year's other than temporary impairment recognized | | 0 |
| 8. Deduct current year's depreciation | | 0 |
| 9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8) | 0 | 0 |
| 10. Deduct total nonadmitted amounts | 0 | 0 |
| 11. Statement value at end of current period (Line 9 minus Line 10) | 0 | 0 |

# SCHEDULE B – VERIFICATION

**Mortgage Loans**

NONE

| | 1<br>Year To Date | 2<br>Prior Year Ended December 31 |
|---|---|---|
| 1. Book value/recorded investment excluding accrued interest, December 31 of prior year | 0 | 0 |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition | | 0 |
| 2.2 Additional investment made after acquisition | | 0 |
| 3. Capitalized deferred interest and other | | 0 |
| 4. Accrual of discount | | 0 |
| 5. Unrealized valuation increase (decrease) | | 0 |
| 6. Total gain (loss) on disposals | | 0 |
| 7. Deduct amounts received on disposals | | 0 |
| 8. Deduct amortization of premium and mortgage interest points and commitment fees | | 0 |
| 9. Total foreign exchange change in book value/recorded investment excluding accrued interest | | 0 |
| 10. Deduct current year's other than temporary impairment recognized | | 0 |
| 11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) | 0 | 0 |
| 12. Total valuation allowance | | 0 |
| 13. Subtotal (Line 11 plus Line 12) | 0 | 0 |
| 14. Deduct total nonadmitted amounts | 0 | 0 |
| 15. Statement value at end of current period (Line 13 minus Line 14) | 0 | 0 |

# SCHEDULE BA – VERIFICATION

**Other Long-Term Invested Assets**

NONE

| | 1<br>Year To Date | 2<br>Prior Year Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value, December 31 of prior year | 0 | 0 |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition | | 0 |
| 2.2 Additional investment made after acquisition | | 0 |
| 3. Capitalized deferred interest and other | | 0 |
| 4. Accrual of discount | | 0 |
| 5. Unrealized valuation increase (decrease) | | 0 |
| 6. Total gain (loss) on disposals | | 0 |
| 7. Deduct amounts received on disposals | | 0 |
| 8. Deduct amortization of premium and depreciation | | 0 |
| 9. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 10. Deduct current year's other than temporary impairment recognized | | 0 |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) | 0 | 0 |
| 12. Deduct total nonadmitted amounts | 0 | 0 |
| 13. Statement value at end of current period (Line 11 minus Line 12) | 0 | 0 |

# SCHEDULE D – VERIFICATION

**Bonds and Stocks**

| | 1<br>Year To Date | 2<br>Prior Year Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year | 1,242,112 | 19,780,102 |
| 2. Cost of bonds and stocks acquired | | 625,606 |
| 3. Accrual of discount | 2,026 | 7,253 |
| 4. Unrealized valuation increase (decrease) | | 0 |
| 5. Total gain (loss) on disposals | | 248,597 |
| 6. Deduct consideration for bonds and stocks disposed of | | 19,375,621 |
| 7. Deduct amortization of premium | | 43,825 |
| 8. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 9. Deduct current year's other than temporary impairment recognized | | 0 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 1,244,138 | 1,242,112 |
| 11. Deduct total nonadmitted amounts | 0 | 0 |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 1,244,138 | 1,242,112 |

# SCHEDULE D - PART 1B

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

| | 1<br>Book/Adjusted Carrying Value Beginning of Current Quarter | 2<br>Acquisitions During Current Quarter | 3<br>Dispositions During Current Quarter | 4<br>Non-Trading Activity During Current Quarter | 5<br>Book/Adjusted Carrying Value End of First Quarter | 6<br>Book/Adjusted Carrying Value End of Second Quarter | 7<br>Book/Adjusted Carrying Value End of Third Quarter | 8<br>Book/Adjusted Carrying Value December 31 Prior Year |
|---|---|---|---|---|---|---|---|---|
| **BONDS** | | | | | | | | |
| 1. Class 1 (a) | 6,245,285 | 8,699,890 | 11,800,000 | 1,175 | 6,245,284 | 3,146,350 | 0 | 6,349,248 |
| 2. Class 2 (a) | 0 | | | | 0 | 0 | 0 | 0 |
| 3. Class 3 (a) | 0 | | | | 0 | 0 | 0 | 0 |
| 4. Class 4 (a) | 0 | | | | 0 | 0 | 0 | 0 |
| 5. Class 5 (a) | 0 | | | | 0 | 0 | 0 | 0 |
| 6. Class 6 (a) | 0 | | | | 0 | 0 | 0 | 0 |
| 7. Total Bonds | 6,245,285 | 8,699,890 | 11,800,000 | 1,175 | 6,245,285 | 3,146,350 | 0 | 6,349,248 |
| **PREFERRED STOCK** | | | | | | | | |
| 8. Class 1 | 0 | | | | 0 | 0 | 0 | 0 |
| 9. Class 2 | 0 | | | | 0 | 0 | 0 | 0 |
| 10. Class 3 | 0 | | | | 0 | 0 | 0 | 0 |
| 11. Class 4 | 0 | | | | 0 | 0 | 0 | 0 |
| 12. Class 5 | 0 | | | | 0 | 0 | 0 | 0 |
| 13. Class 6 | 0 | | | | 0 | 0 | 0 | 0 |
| 14. Total Preferred Stock | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. Total Bonds & Preferred Stock | 6,245,285 | 8,699,890 | 11,800,000 | 1,175 | 6,245,285 | 3,146,350 | 0 | 6,349,248 |

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 $ 1,902,212 ; NAIC 2 $ ; NAIC 3 $ ; NAIC 4 $ ; NAIC 5 $ ; NAIC 6 $

# SCHEDULE DA - PART 1

**Short-Term Investments**

| | 1<br>Book/Adjusted Carrying Value | 2<br>Par Value | 3<br>Actual Cost | 4<br>Interest Collected Year To Date | 5<br>Paid for Accrued Interest Year To Date |
|---|---|---|---|---|---|
| 9199999 | 102,224 | XXX | 102,224 | | |

# SCHEDULE DA - VERIFICATION

**Short-Term Investments**

| | 1<br>Year To Date | 2<br>Prior Year Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value, December 31 of prior year | 107,208 | 3,792,230 |
| 2. Cost of short-term investments acquired | 2,525,016 | 40,190,827 |
| 3. Accrual of discount | | 0 |
| 4. Unrealized valuation increase (decrease) | | 0 |
| 5. Total gain (loss) on disposals | | 0 |
| 6. Deduct consideration received on disposals | 2,530,000 | 43,875,849 |
| 7. Deduct amortization of premium | | 0 |
| 8. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 9. Deduct current year's other than temporary impairment recognized | | 0 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 102,224 | 107,208 |
| 11. Deduct total nonadmitted amounts | | 0 |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 102,224 | 107,208 |

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

# SCHEDULE E - VERIFICATION

(Cash Equivalents)

| | 1<br>Year To<br>Date | 2<br>Prior Year<br>Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value, December 31 of prior year | 4,999,927 | 699,998 |
| 2. Cost of cash equivalents acquired | 26,298,566 | 45,696,487 |
| 3. Accrual of discount | 1,495 | 3,380 |
| 4. Unrealized valuation increase (decrease) | | 0 |
| 5. Total gain (loss) on disposals | | (11) |
| 6. Deduct consideration received on disposals | 29,500,000 | 41,399,927 |
| 7. Deduct amortization of premium | | 0 |
| 8. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 9. Deduct current year's other than temporary impairment recognized | | 0 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 1,799,988 | 4,999,927 |
| 11. Deduct total nonadmitted amounts | | 0 |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 1,799,988 | 4,999,927 |

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

Schedule D - Part 3

NONE

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

# SCHEDULE E - PART 1 - CASH

Month End Depository Balances

| 1<br>Depository | 2<br>Code | 3<br>Rate of Interest | 4<br>Amount of Interest Received During Current Quarter | 5<br>Amount of Interest Accrued at Current Statement Date | Book Balance at End of Each Month During Current Quarter<br>6<br>First Month | 7<br>Second Month | 8<br>Third Month | 9<br>* |
|---|---|---|---|---|---|---|---|---|
| Open Depositories | | | | | | | | |
| FIRST TENN. Knoxville,TN | | | | | 14,659 | 14,659 | 14,659 | XXX |
| BANK OF AMERICA Atlanta,GA | | | | | 17,080 | 50,381 | 69,393 | XXX |
| 0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - Open Depositories | XXX | XXX | | | | | | XXX |
| 0199999 Total Open Depositories | XXX | XXX | 0 | 0 | 31,740 | 65,040 | 84,053 | XXX |
| 0399999 Total Cash on Deposit | XXX | XXX | 0 | 0 | 31,740 | 65,040 | 84,053 | XXX |
| 0499999 Cash in Company's Office | XXX | XXX | XXX | XXX | | | | XXX |
| 0599999 Total | XXX | XXX | 0 | 0 | 31,740 | 65,040 | 84,053 | XXX |

# SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

| 1<br>Description | 2<br>Code | 3<br>Date Acquired | 4<br>Rate of Interest | 5<br>Maturity Date | 6<br>Book/Adjusted Carrying Value | 7<br>Amount of Interest Due & Accrued | 8<br>Amount Received During Year |
|---|---|---|---|---|---|---|---|
| U.S. Governments - Issuer Obligations | | | | | | | |
| Treasury Bill | | 06/29/2011 | 0.005 | 08/18/2011 | 1,799,988 | | |
| 0199999 - U.S. Governments - Issuer Obligations | | | | | 1,799,988 | 0 | 0 |
| U.S. Governments - Residential Mortgage-Backed Securities | | | | | | | |
| U.S. Governments - Commercial Mortgage-Backed Securities | | | | | | | |
| U.S. Governments - Other Loan-Backed and Structured Securities | | | | | | | |
| 0599999 - Subtotals - U.S. Government Bonds | | | | | 1,799,988 | 0 | 0 |
| All Other Governments - Issuer Obligations | | | | | | | |
| All Other Governments - Residential Mortgage-Backed Securities | | | | | | | |
| All Other Governments - Commercial Mortgage-Backed Securities | | | | | | | |
| All Other Governments - Other Loan-Backed and Structured Securities | | | | | | | |
| U.S. States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations | | | | | | | |
| U.S. States, Territories and Possessions (Direct and Guaranteed) - Residential Mortgage-Backed Securities | | | | | | | |
| U.S. States, Territories and Possessions (Direct and Guaranteed) - Commercial Mortgage-Backed Securities | | | | | | | |
| U.S. States, Territories and Possessions (Direct and Guaranteed) - Other Loan-Backed and Structured Securities | | | | | | | |
| U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations | | | | | | | |
| U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) -Residential Mortgage-Backed Securities | | | | | | | |
| U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Commercial Mortgage-Backed Securities | | | | | | | |
| U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Other Loan-Backed and Structured Securities | | | | | | | |
| U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions - Issuer Obligations | | | | | | | |
| U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions - Residential Mortgage-Backed Securities | | | | | | | |
| U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions - Commercial Mortgage-Backed Securities | | | | | | | |
| U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions - Other Loan-Backed and Structured Securities | | | | | | | |
| Industrial and Miscellaneous - Issuer Obligations | | | | | | | |
| Industrial and Miscellaneous (Unaffiliated) - Residential Mortgage-Backed Securities | | | | | | | |
| Industrial and Miscellaneous (Unaffiliated) - Commercial Mortgage-Backed Securities | | | | | | | |
| Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities | | | | | | | |
| Credit Tenant Loans - Issuer Obligations | | | | | | | |
| Credit Tenant Loans - Commercial Mortgage-Backed Securities | | | | | | | |
| Hybrid Securities - Issuer Obligations | | | | | | | |
| Hybrid Securities - Residential Mortgage-Backed Securities | | | | | | | |
| Hybrid Securities - Commercial Mortgage-Backed Securities | | | | | | | |
| Hybrid Securities - Other Loan-Backed and Structured Securities | | | | | | | |
| Parent, Subsidiaries and Affiliates Bonds - Issuer Obligations | | | | | | | |
| Parent, Subsidiaries and Affiliates Bonds - Residential Mortgage-Backed Securities | | | | | | | |
| Parent, Subsidiaries and Affiliates Bonds - Commercial Mortgage-Backed Securities | | | | | | | |
| Parent, Subsidiaries and Affiliates Bonds - Other Loan-Backed and Structured Securities | | | | | | | |
| 7799999 - Subtotals - Issuer Obligations | | | | | 1,799,988 | 0 | 0 |
| 8399999 - Subtotals - Bonds | | | | | 1,799,988 | 0 | 0 |
| Sweep Accounts | | | | | | | |
| Other Cash Equivalents | | | | | | | |
| 8699999 Total Cash Equivalents | | | | | 1,799,988 | 0 | 0 |

# EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

| 1<br>Name of Debtor | 2<br>1 - 30 Days | 3<br>31 - 60 Days | 4<br>61 - 90 Days | 5<br>Over 90 Days | 6<br>Nonadmitted | 7<br>Admitted |
|---|---|---|---|---|---|---|
| 0199999 Total individuals | | | | | | |
| Group subscribers: | | | | | | |
| 0299997 Group subscriber subtotal | 0 | 0 | 0 | 0 | 0 | 0 |
| 0299998 Premiums due and unpaid not individually listed | 0 | 0 | 0 | 0 | 0 | 0 |
| 0299999 Total group | | | | | | |
| 0399999 Premiums due and unpaid from Medicare entities | | | | | | |
| 0499999 Premiums due and unpaid from Medicaid entities | | | | | | |
| 0599999 Accident and health premiums due and unpaid (Page 2, Line 13) | 0 | 0 | 0 | 0 | 0 | 0 |

NONE

# EXHIBIT 3 - HEALTH CARE RECEIVABLES

| 1<br>Name of Debtor | 2<br>1 - 30 Days | 3<br>31 - 60 Days | 4<br>61 - 90 Days | 5<br>Over 90 Days | 6<br>Nonadmitted | 7<br>Admitted |
|---|---|---|---|---|---|---|
| 0799999 Gross health care receivables | 0 | 0 | 0 | 0 | 0 | 0 |

NONE

# EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

| 1<br>Name of Affiliate | 2<br>1 - 30 Days | 3<br>31 - 60 Days | 4<br>61 - 90 Days | 5<br>Over 90 Days | 6<br>Nonadmitted | Admitted<br>7<br>Current | Admitted<br>8<br>Non-Current |
|---|---|---|---|---|---|---|---|
| 0199999 Individually listed receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0299999 Receivables not individually listed | | | | | | | |
| 0399999 Total gross amounts receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

NONE