

REPORT ON ORGANIZATION

OF THE

HUMANA INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2005

DATE OF REPORT

JULY 28, 2006

EXAMINER

TOMMY L. KONG

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GEORGE E. PATAKI
Governor

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NY 10004

HOWARD MILLS
Superintendent of Insurance

July 28, 2006

Honorable Howard Mills
Superintendent of Insurance
Albany, NY 12257

Sir:

Pursuant to instructions contained in Appointment Number 22532 dated July 17, 2006, and attached hereto, I have made an examination “on organization” of Humana Insurance Company of New York and the following report thereon is respectfully submitted.

The examination was conducted at the Company’s home office located at 125 Wolf Road, Suite 501, Albany, New York 12205

Whenever the term, the “Company” appears herein without qualification, it should be understood to refer to Humana Insurance Company of New York.

1. ORGANIZATION

Humana Insurance Company of New York was incorporated on May 20, 2005. The declaration of intention and charter were approved by the State of New York Insurance Department pursuant to Section 1201 of the Insurance Law and placed on file with the Department on the same date.

The members of the board of directors and the principal officers are as follows:

Board of Directors

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael B. McCallister Louisville, KY	President & Chief Executive Officer, Humana Inc.
James E. Murray Louisville, KY	Chief Operating Officer, Humana Inc.
James H. Bloem Louisville, KY	Senior Vice President, Chief Financial Officer, & Treasurer, Humana Inc.
Bruce J. Goodman Louisville, KY	Senior Vice President & Chief Service and Information Officer, Humana Inc.
Steven O. Moya Louisville, KY	Senior Vice President & Chief Marketing Officer, Humana Inc.
Jonathan T. Lord, M.D. Louisville, KY	Senior Vice President & Chief Innovation Officer, Humana Inc.
Heidi S. Margulis Louisville, KY	Senior Vice President – Government Relations, Humana Inc.
Bruce D. Perkins Prospect, KY	Senior Vice President – National Contracting, Humana Inc.
John M. Bertko Flagstaff, AZ	Vice President (Chief Actuary), Humana Inc.
Steven E. McCulley Louisville, KY	Vice President & Controller (Principal Accounting Officer), Humana Inc.
Stefan F. Brueckner Louisville, KY	Vice President, Humana Inc.
Paul T. Edwards Jamesville, NY	Dentist
Maria L. Edwards Jamesville, NY	Homemaker

Officers

<u>Name</u>	<u>Title</u>
Michael B. McCallister	President & Chief Executive Officer
James E. Murray	Chief Operating Officer
James H. Bloem	Senior Vice President, Chief Financial Officer, & Treasurer
Bruce J. Goodman	Senior Vice President & Chief Service and Information Officer
Steven O. Moya	Senior Vice President – Chief Marketing Officer
Jonathan T. Lord, M.D.	Senior Vice President – Chief Innovation Officer
Heidi S. Margulis	Senior Vice President – Government Relations
Thomas J. Liston	Senior Vice President
John M. Bertko	Vice President (Chief Actuary)
Joan O. Lenahan	Vice President and Secretary
Kathleen Pellegrino	Vice President and Assistant Secretary
George G. Bauernfeind	Vice President
Elizabeth D. Bierbower	Vice President
Stefen F. Brueckner	Vice President
Gregory J. Catron	Vice President
William J. Taut	Vice President
Gary D. Thompson	Vice President
Fred W. Wheeler	Vice President
Frank M. Amrine	Appointed Actuary

2. SCOPE OF EXAMINATION

The examination comprised a verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of assets and liabilities. The records examined included the declaration of intention and charter, the by-laws, the corporate minute book, and the stock register. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were bonafide.

3. CAPITALIZATION AND SUBSCRIPTION

Humana Insurance Company of New York is a wholly owned subsidiary of Humana Inc., a publicly traded Delaware corporation. The Company issued 1,500,000 shares of \$1.00 par value per share capital stock on May 20, 2005 for a sale price of \$1.00 per share resulting in a total consideration of \$1,500,000. In addition, Humana Inc. made a surplus contribution in the amount of \$13,500,000 to the Company on June 8, 2006.

4. BALANCE SHEET

The following balance sheet sets forth the Company's financial condition as of December 31, 2005 as determined by this examination. This statement is the same as the balance sheet provided by the Company.

Assets

Bonds	\$	200,839	
Cash and short-term investments		1,324,957	
Interest income due and accrued		<u>974</u>	
Total assets			\$ <u>1,526,770</u>

Liabilities

Payable to Humana Inc.	\$	<u>1,143,499</u>	
Total liabilities			\$ 1,143,499

Capital and Surplus

Common capital stock		1,500,000	
Gross paid in and contributed surplus		0	*
Unassigned surplus		<u>(1,116,729)</u>	
Total capital and surplus			<u>383,271</u>
Total liabilities and surplus			\$ <u>1,526,770</u>

* The Company received a surplus contribution of \$13,500,000 from Humana Inc. on June 8, 2006.

5. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED

The Company is authorized by its declaration of intention and charter to transact the kinds of insurance as described in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
(3)(i) and (ii)	Accident and health insurance

The minimum financial requirements for this line of business, as set forth in Section 4204 and 4206 of the New York Insurance Law, are as follows:

Initial Surplus	\$450,000
Surplus to be maintained	300,000
Deposit	200,000
Capital	300,000
Minimum capital investments	300,000

Pursuant to the provisions of Section 4206 of the New York Insurance Law, the Company has placed a qualifying security with a par value of \$200,000 in an account in the name of the Superintendent of Insurance at JPMorgan Chase Bank, N.A., New York, New York. However, the qualifying security, as of December 31, 2005, had a market value of \$197,156 and was not in compliance as of such date with the provisions of Section 1318 of the New York Insurance Law, which requires the market value of such deposit to be at least \$200,000.

Subsequently, as of June 30, 2006, the Company has placed an additional qualifying security with a par value of \$50,000 and a market value of \$48,736 in an account in the name of the Superintendent of Insurance at JPMorgan Chase Bank, N.A., New York, New York. The two qualifying securities combined, as of June 30, 2006, have a par value of \$250,000 and a market value of \$243,682 and are in compliance as of such date with the provisions of Section 1318 of the New York Insurance Law.

6. HOLDING COMPANY SYSTEM

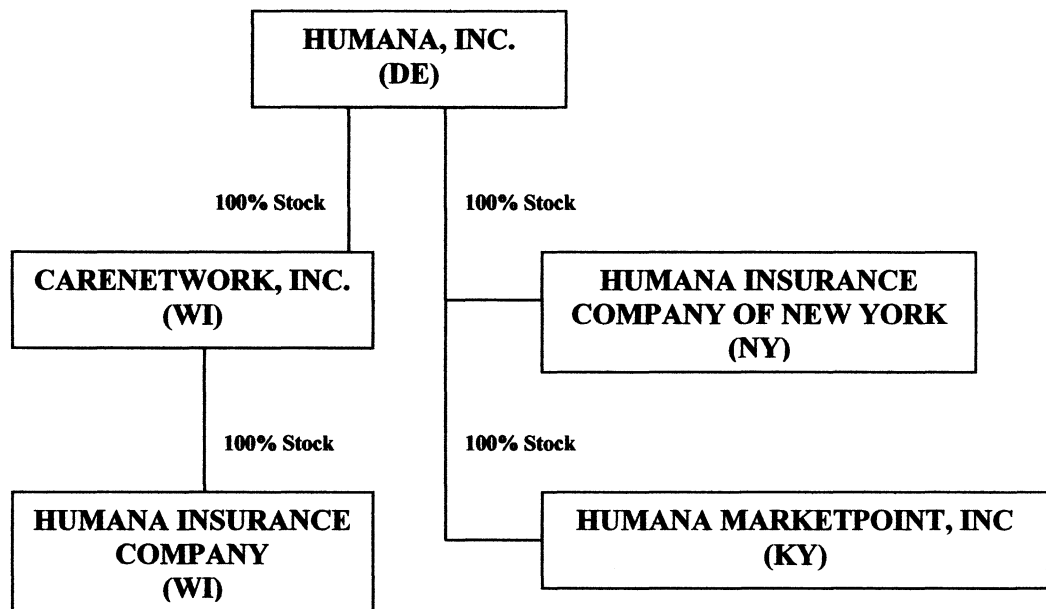
The Company is a wholly owned subsidiary of Humana Inc., a publicly traded Delaware corporation.

At the present time, the Company has in force the following agreements with members of its holding company system:

1. Corporate Service Agreement effective November 4, 2005 between Humana Inc. and the Company whereby Humana Inc. performs various services on behalf of the Company, including, but not limited to, payroll and tax payments, broker commissions, executive management, financial services, legal services, marketing and advertising, and human resources management. The monthly charges will be based on estimated average costs during the preceding three months and will be supported by a monthly statement detailing the estimated charges. A final settlement of the actual costs will be made at the end of each quarter.
2. Service Center Service Agreement effective June 29, 2006 between Humana Inc., Humana Insurance Company, and the Company whereby services such as claims processing, customer service, billing and enrollment, and other support are provided to the Company.
3. Medicare Risk Marketing Service Agreement effective June 29, 2006 between Humana Inc., Humana MarketPOINT, Inc., and the Company whereby the Company is provided assistance with Marketing Services.
4. Telemarketing Services Agreement effective April 28, 2006 between Humana Inc. and the Company whereby telemarketing services are provided to the Company (includes providing staff, systems, and related support to telemarket the Company's products).

5. Tax Allocation Agreement effective November 4, 2005 between Humana Inc. and the Company. Humana Inc. to file consolidated tax returns for all members of its affiliated group of corporations, and cost is divided on relative federal taxable income of the member to the total consolidated federal tax income.
6. Domestic Custody Agreement effective May 23, 2005 between JPMorgan Chase Bank, N.A. and the Company whereby JPMorgan Chase Bank, N.A. is responsible for performing securities custody duties set forth in the agreement.

The following chart depicts the Company in relationship to its parent and of certain affiliated companies as of December 31, 2005:



7. OTHER SERVICE AGREEMENTS

1. Management Services Agreement effective March 28, 2005 between Humana Inc. and Argus Health Systems, Inc. whereby Argus Health Systems, Inc. provides Humana Inc. with prescription claims processing, affiliated management reporting, and other services.
2. Investment Manager Agreement effective March 26, 2001 between Humana Inc., on behalf of itself and its subsidiaries, and BlackRock Financial Management, Inc. whereby BlackRock Financial Management, Inc. supervises and directs the investment and reinvestment of a portion of all assets of Humana Inc. and of certain subsidiaries.

7. CONCLUSION

Based upon the foregoing examination, it is concluded that the Company sold 1,500,000 shares of \$1.00 par value per share capital stock for a sale price of \$1.00 per share resulting in a total consideration of \$1,500,000. Furthermore, it is concluded that the Company subsequently received a surplus contribution of \$13,500,000 on June 8, 2006.

State of New York

County of Albany

I, Michael B. McCallister, President and Chief Executive Officer and James H. Bloem, Senior Vice President, Chief Financial Officer and Treasurer of Humana Insurance Company of New York (the "Company") after being duly sworn depose and say, and each for himself deposes and declares under oath:

1. That they are the above-described officers of the said company.
2. As of December 31, 2005, the proceeds of the common stock sale of the Company of \$1,500,000.00, and as of June 30, 2006, a paid-in surplus contribution from Humana Inc. was received by the Company in the amount of \$13,500,000.00. The proceeds of the common stock sale of the Company of \$1,500,000.00 are represented by the following assets:
 - (a) \$1,200,000.00 (Face Value) U.S. Treasury Bill, 3.54% interest rate, January 19, 2006 maturity, and held in custody by JPMorgan Chase Bank, N.A. As of December 31, 2005, the market value of this investment was \$1,197,882.00 and no accrued interest amount.
 - (b) \$110,000.00 (Face Value) U.S. Treasury Bill, 3.86% interest rate, January 26, 2006 maturity, and held in custody by JPMorgan Chase Bank, N.A. As of December 31, 2005, the market value of this investment was \$109,726.10 and no accrued interest amount.

FOR THE BENEFIT OF POLICYHOLDERS;

- (c) As of December 31, 2005, \$200,000.00 (Par Value) U.S. Treasury Note, 3.75% coupon, May 15, 2008 maturity, and held in custody by JPMorgan Chase Bank, N.A. As of December 31, 2005, the market value of this investment was \$197,156.20 and the accrued interest was \$973.76.

As of June 30, 2006, an additional \$50,000.00 (Par Value) U.S. Treasury Note, 3.75% coupon, May 15, 2008 maturity, and held in custody by JPMorgan Chase Bank, N.A. As of June 30, 2006, the market value of this investment was \$48,736.35 and the accrued interest was \$239.47.

The above sums are the property of the Company and possessed by it in its corporate name and capacity.

3. That no part of said paid-in capital and surplus has been withdrawn, pledged or in any way impaired, except as wanted for investment or other-wise legitimately used or appropriated to and for the sole and exclusive use and benefit of the Company in its corporate capacity and in strict conformity with the statutes in such case made and provided.
4. That no part or portion thereof has been loaned or advanced to the Company by any person, partnership or corporation for the purpose of being used as such paid-in capital and surplus.
5. That according to the best of their respective knowledge, information and belief, there was not intention or design existing on the part of any person or persons whomsoever, to withdraw any part or portion of the said paid-in capital or surplus until the same was or is wanted for investment or to be legitimately used or appropriated to and for the sole and exclusive use and benefit of the Company in its corporate capacity in strict conformity with the statutes in such case and provided.
6. That there is no agreement or understanding, express or implied, made or existing between the Company or its officers, or any or either of them or any person or persons, to the effect of import that the money paid-in by any stockholder shall be loaned or returned to him or any person or persons for his or their use or accommodation, or the hypothecation of stock of the Company as security therefor, or upon any other securities, terms and conditions whatsoever.
7. That neither the Company, nor any of its officers is in any way, manner or form, pledged or committed to make any investment loan or disposition of said paid-in capital and surplus or any part or portion thereof, which is not in strict conformity in all respects with the provisions of the Insurance Law of the State of New York.

Humana Insurance Company of New York

By: *[Signature]*

By: *[Signature]*

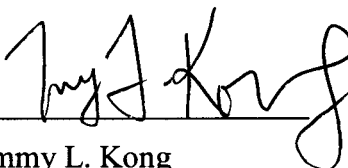
Subscribed and sworn to before me
this 28th day of July, 2006.

Jennifer G. Webb



Jennifer G. Webb, Notary Public
State at Large
Kentucky
My Commission Expires May 23, 2007

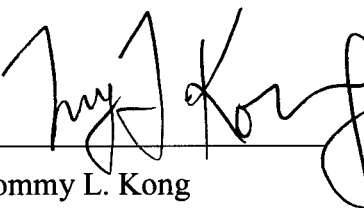
Respectfully submitted,



Tommy L. Kong
Senior Insurance Examiner

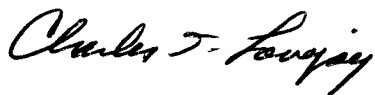
STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

Tommy L. Kong, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.



Tommy L. Kong

Subscribed and sworn to before me
this 1ST day of AUGUST, 2006



Charles T. Levejoy
Notary Public, State of New York
No. 31-4798952
Qualified in New York County
Commission Expires 1-26-10

Appointment No. 22532

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, Howard Mills, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Tommy Kong

as a proper person to examine into the affairs of the

Humana Insurance Company of New York


and to make a report to me in writing of the said

Company

with such information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York.

this 17th day of July 2006



Howard Mills
Superintendent of Insurance

