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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-5975

HUMANA INC.

(Exact name of registrant as specified in its charter)

Delaware	**61-0647538**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

500 West Main Street
Louisville, Kentucky 40202
(Address of principal executive offices, including zip code)

(502) 580-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ No ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock	**Outstanding at June 30, 2009**
$0.16 2/3 par value	169,657,445 shares

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FORM 10-Q
JUNE 30, 2009

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Humana Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2009	December 31, 2008
	(in thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,585,109	$ 1,970,423
Investment securities	4,583,423	4,203,538
Receivables, less allowance for doubtful accounts of $52,123 in 2009 and $49,160 in 2008:		
Premiums	1,265,986	777,672
Administrative services fees	10,928	12,010
Securities lending invested collateral	270,120	402,399
Other current assets	1,056,798	1,030,000
Total current assets	8,772,364	8,396,042
Property and equipment, net	691,414	711,492
Other assets:		
Long-term investment securities	1,240,197	1,011,904
Goodwill	1,992,924	1,963,111
Other long-term assets	987,490	959,211
Total other assets	4,220,611	3,934,226
Total assets	$13,684,389	$13,041,760
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Benefits payable	$ 3,411,197	$ 3,205,579
Trade accounts payable and accrued expenses	1,351,689	1,077,027
Book overdraft	153,853	224,542
Securities lending payable	305,008	438,699
Unearned revenues	244,855	238,098
Total current liabilities	5,466,602	5,183,945
Long-term debt	1,682,654	1,937,032
Future policy benefits payable	1,154,317	1,164,758
Other long-term liabilities	322,538	298,835
Total liabilities	8,626,111	8,584,570
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $1 par; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.16 2/3 par; 300,000,000 shares authorized; 188,867,271 shares issued at June 30, 2009 and 187,856,684 shares issued at December 31, 2008	31,478	31,309
Capital in excess of par value	1,604,979	1,574,245
Retained earnings	3,877,433	3,389,936
Accumulated other comprehensive loss	(86,556)	(175,243)
Treasury stock, at cost, 19,209,826 shares at June 30, 2009 and 19,031,229 shares at December 31, 2008	(369,056)	(363,057)
Total stockholders' equity	5,058,278	4,457,190
Total liabilities and stockholders' equity	$13,684,389	$13,041,760

See accompanying notes to condensed consolidated financial statements.

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Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands, except per share results)			
Revenues:				
Premiums	$ 7,642,527	$ 7,106,752	$ 15,113,821	$ 13,819,353
Administrative services fees	118,694	112,964	234,576	224,943
Investment income	75,340	80,821	144,884	170,780
Other revenue	62,328	50,325	117,269	95,490
Total revenues	7,898,889	7,350,862	15,610,550	14,310,566
Operating expenses:				
Benefits	6,367,545	6,038,482	12,636,855	11,856,516
Selling, general and administrative	1,004,342	916,041	2,068,145	1,866,486
Depreciation and amortization	60,478	53,458	118,492	104,416
Total operating expenses	7,432,365	7,007,981	14,823,492	13,827,418
Income from operations	466,524	342,881	787,058	483,148
Interest expense	26,574	17,867	53,346	34,206
Income before income taxes	439,950	325,014	733,712	448,942
Provision for income taxes	158,170	115,118	246,215	158,876
Net income	$ 281,780	$ 209,896	$ 487,497	$ 290,066
Basic earnings per common share	$ 1.68	$ 1.26	$ 2.92	$ 1.73
Diluted earnings per common share	$ 1.67	$ 1.24	$ 2.89	$ 1.71

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the six months ended June 30,	
	2009	2008
	(in thousands)	
Cash flows from operating activities		
Net income	$ 487,497	$ 290,066
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of investment securities, net	(9,550)	(18,849)
Stock-based compensation	33,022	27,165
Depreciation and amortization	118,492	104,416
(Benefit) provision for deferred income taxes	(34,825)	10,572
Changes in operating assets and liabilities, net of effect of businesses acquired:		
Receivables	(494,139)	(383,385)
Other assets	(18,827)	(195,211)
Benefits payable	205,618	381,462
Other liabilities	(98,447)	(104,475)
Unearned revenues	6,757	(12,457)
Other, net	11,782	9,158
Net cash provided by operating activities	207,380	108,462
Cash flows from investing activities		
Acquisitions, net of cash acquired	(12,367)	(266,093)
Purchases of property and equipment	(82,602)	(112,045)
Purchases of investment securities	(2,839,775)	(3,524,144)
Maturities of investment securities	604,535	274,347
Proceeds from sales of investment securities	1,751,441	2,649,402
Change in securities lending collateral	133,691	536,723
Net cash used in investing activities	(445,077)	(441,810)
Cash flows from financing activities		
Receipts from CMS contract deposits	1,034,642	1,188,830
Withdrawals from CMS contract deposits	(723,413)	(1,079,245)
Borrowings under credit agreement	—	425,000
Repayments under credit agreement	(250,000)	(1,225,000)
Proceeds from issuance of senior notes	—	749,247
Debt issue costs	—	(5,480)
Change in securities lending payable	(133,691)	(536,723)
Common stock repurchases	(5,999)	(94,661)
Change in book overdraft	(70,689)	28,739
Excess tax benefit from stock-based compensation	244	9,344
Proceeds from stock option exercises and other	1,289	7,486
Net cash used in financing activities	(147,617)	(532,463)
Decrease in cash and cash equivalents	(385,314)	(865,811)
Cash and cash equivalents at beginning of period	1,970,423	2,040,453
Cash and cash equivalents at end of period	$ 1,585,109	$ 1,174,642
Supplemental cash flow disclosures:		
Interest payments	$ 56,635	$ 32,899
Income tax payments, net	$ 260,380	$ 87,383

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements are presented in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America, or those normally made in an Annual Report on Form 10-K. For further information, the reader of this Form 10-Q should refer to our Form 10-K for the year ended December 31, 2008, that was filed with the Securities and Exchange Commission, or the SEC, on February 20, 2009. References throughout this document to "we," "us," "our," "Company," and "Humana" mean Humana Inc. and its subsidiaries.

The preparation of our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The areas involving the most significant use of estimates are the estimation of benefits payable, the impact of risk sharing provisions related to our Medicare and TRICARE contracts, the valuation and related impairment recognition of investment securities, and the valuation and related impairment recognition of long-lived assets, including goodwill. These estimates are based on knowledge of current events and anticipated future events, and accordingly, actual results may ultimately differ materially from those estimates. Refer to Note 2 to the consolidated financial statements included in our Form 10-K for the year ended December 31, 2008 for information on accounting policies that the Company considers in preparing its consolidated financial statements.

The financial information has been prepared in accordance with our customary accounting practices and has not been audited. In our opinion, the information presented reflects all adjustments necessary for a fair statement of interim results. All such adjustments are of a normal and recurring nature.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2009, the Financial Accounting Standards Board, or FASB, issued two FASB Staff Positions, or FSPs, to address concerns about (1) measuring the fair value of financial instruments when the markets become inactive and quoted prices may reflect distressed transactions and (2) recording impairment charges on investments in debt securities. The FASB also issued a third FSP to require disclosures of fair values of certain financial instruments in interim financial statements.

FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, provides additional guidance to highlight and expand on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. This FSP also requires new disclosures relating to fair value measurement inputs and valuation techniques (including changes in inputs and valuation techniques).

FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments,* changed (1) the trigger for determining whether an other-than-temporary impairment exists and (2) the amount of an impairment charge to be recorded in earnings. To determine whether an other-than-temporary impairment exists, an entity is required to assess the likelihood of selling a security prior to recovering its cost basis. This is a change from the previous requirement for an entity to assess whether it had the intent and ability to hold a security to recovery or maturity. This FSP also expands and increases the frequency of existing disclosure about other-than-temporary impairments and requires new disclosures of the significant inputs used in determining a credit loss, as well as a rollforward of that amount each period.

FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, increases the frequency of fair value disclosures from annual to quarterly to provide financial statement users with more timely information about the effects of current market conditions on their financial instruments.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Unaudited

We adopted these FSPs for the quarter ended June 30, 2009. Refer to Note 4, Note 5 and Note 12 to these condensed consolidated financial statements for disclosures related to these FSPs.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*, or SFAS 165, which establishes general standards of accounting for disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The standard is based on the same principles that currently exist in the auditing standards. SFAS 165 requires disclosure of the date through which subsequent events have been evaluated and for certain nonrecognized subsequent events, the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made. We adopted SFAS 165 for the quarter ended June 30, 2009. Refer to Note 15 to these condensed consolidated financial statements for the related disclosures.

In June 2009, the FASB issued FASB Statement No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, or SFAS 168. The FASB Accounting Standards Codification™ (ASC) is the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB and supersedes all existing non-SEC accounting and reporting standards. All ASC content carries the same level of authority and anything outside of the ASC is nonauthoritative. SFAS 168 is effective for us beginning with our third quarter 2009 condensed consolidated financial statements. The adoption of this standard in the third quarter of 2009 will change the way we reference accounting standards in our disclosures.

3. ACQUISITIONS

On October 31, 2008, we acquired PHP Companies, Inc. (d/b/a Cariten Healthcare), or Cariten, for cash consideration of approximately $256.1 million. The Cariten acquisition increased our commercial fully-insured and ASO presence as well as our Medicare HMO presence in eastern Tennessee. During the first quarter of 2009, we continued our review of the fair value estimate of certain other intangible and net tangible assets acquired. This review resulted in a decrease of $27.1 million in the fair value of other intangible assets, primarily related to the fair value assigned to the customer contracts acquired. There was a corresponding adjustment to goodwill and deferred income taxes.

On August 29, 2008, we acquired Metcare Health Plans, Inc., or Metcare, for cash consideration of approximately $14.9 million. The acquisition expanded our Medicare HMO membership in central Florida.

On May 22, 2008, we acquired OSF Health Plans, Inc., or OSF, a managed care company serving both Medicare and commercial members in central Illinois, for cash consideration of approximately $87.3 million. This acquisition expanded our presence in Illinois, broadening our ability to serve multi-location employers with a wider range of products including our specialty offerings.

On April 30, 2008, we acquired UnitedHealth Group's Las Vegas, Nevada individual SecureHorizons Medicare Advantage HMO business, or SecureHorizons, for cash consideration of approximately $185.3 million, plus subsidiary capital and surplus requirements of $40 million. The acquisition expanded our presence in the Las Vegas market.

The Cariten, OSF, and Metcare purchase agreements contain provisions under which there may be future contingent consideration paid or received, primarily related to balance sheet settlements associated with medical claims runout and Medicare reconciliations with the Centers for Medicare and Medicaid Services, or CMS. Any contingent consideration paid or received will be recorded as an adjustment to goodwill when the contingencies are resolved. During the first quarter of 2009, we paid $3.3 million to settle a purchase price contingency associated with the acquisition of OSF.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Unaudited

4. INVESTMENT SECURITIES

Investment securities have been categorized as available for sale and, as a result, are stated at fair value. Unrealized holding gains and losses, net of applicable deferred taxes, are included as a component of stockholders' equity and comprehensive income until realized from a sale or other-than-temporary impairment, or OTTI.

Investment securities classified as current and long-term were as follows at June 30, 2009 and December 31, 2008, respectively:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
June 30, 2009				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	$ 587,649	$ 7,326	$ (1,801)	$ 593,174
Mortgage-backed securities	1,101,796	20,476	(2,908)	1,119,364
Tax-exempt municipal securities	1,848,234	35,622	(28,026)	1,855,830
Mortgage-backed securities:				
Residential	386,333	1,812	(80,770)	307,375
Commercial	292,118	834	(33,579)	259,373
Asset-backed securities	151,735	1,504	(770)	152,469
Corporate debt securities	1,523,525	35,222	(48,638)	1,510,109
Redeemable preferred stock	19,474	1,650	—	21,124
Total debt securities	5,910,864	104,446	(196,492)	5,818,818
Equity securities	4,909	—	(107)	4,802
Total	$ 5,915,773	$ 104,446	$ (196,599)	$ 5,823,620
December 31, 2008				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	$ 587,207	$ 12,759	$ (68)	$ 599,898
Mortgage-backed securities	1,268,956	28,974	(225)	1,297,705
Tax-exempt municipal securities	1,702,026	27,649	(40,213)	1,689,462
Mortgage-backed securities:				
Residential	450,867	1,565	(105,124)	347,308
Commercial	313,933	—	(53,634)	260,299
Asset-backed securities	156,618	27	(12,275)	144,370
Corporate debt securities	930,707	10,532	(99,842)	841,397
Redeemable preferred stock	18,052	1,650	—	19,702
Total debt securities	5,428,366	83,156	(311,381)	5,200,141
Equity securities	16,956	—	(1,655)	15,301
Total	$ 5,445,322	$ 83,156	$ (313,036)	$ 5,215,442

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Unaudited

We participate in a securities lending program where we loan certain investment securities for short periods of time in exchange for collateral, consisting of cash or U.S. Government securities, initially equal to at least 102% of the fair value of the investment securities on loan. Investment securities with a fair value of $295.6 million at June 30, 2009 and $437.1 million at December 31, 2008 were on loan. At June 30, 2009, all collateral from lending our investment securities was in the form of cash which has been reinvested in money market funds, certificates of deposit, and short-term corporate and asset-backed securities with an average maturity of approximately 308 days. These available for sale investment securities have an amortized cost basis and fair value of $303.5 million and $270.1 million, respectively, at June 30, 2009, and $437.2 million and $402.4 million, respectively, at December 31, 2008.

In April 2009, the FASB amended the other-than-temporary impairment model for debt securities which we adopted for the period ended June 30, 2009. Under the new model, we recognize an impairment loss in income in an amount equal to the full difference between the amortized cost basis and the fair value when we have the intent to sell the debt security or it is more likely than not we will be required to sell the debt security before recovery of our amortized cost basis. However, if we do not intend to sell the debt security, we evaluate the expected cash flows to be received and determine if a credit loss has occurred. In the event of a credit loss, only the amount of the impairment associated with the credit loss is recognized currently in income with the remainder of the loss recognized in other comprehensive income. A transition adjustment to reclassify the non-credit portion of any previously recognized impairment from retained earnings to accumulated other comprehensive income was required upon adoption if we did not intend to sell and it was not more likely than not that we would be required to sell the security before recovery of its amortized cost basis. We did not record a transition adjustment for securities previously considered other-than-temporarily impaired because these securities were already sold or we had the intent to sell these securities.

When we do not intend to sell a security in an unrealized loss position, potential OTTI is considered using a variety of factors, including the length of time and extent to which the fair value has been less than cost; adverse conditions specifically related to the industry, geographic area or financial condition of the issuer or underlying collateral of a security; payment structure of the security; changes in credit rating of the security by the rating agencies; the volatility of the fair value changes; and changes in fair value of the security after the balance sheet date. For debt securities, we take into account expectations of relevant market and economic data. For example, with respect to mortgage and asset-backed securities, such data includes underlying loan level data and structural features such as seniority and other forms of credit enhancements. A decline in fair value is considered other-than-temporary when we do not expect to recover the entire amortized cost basis of the security. We estimate the amount of the credit loss component of a debt security as the difference between the amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate of future cash flows discounted at the implicit interest rate at the date of purchase.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Unaudited

Gross unrealized losses and fair values aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position were as follows at June 30, 2009 and December 31, 2008, respectively:

	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
June 30, 2009						
U.S. Treasury and other U.S. government corporations and agencies:						
U.S. Treasury and agency obligations	$ 273,949	$ (1,801)	$ —	$ —	$ 273,949	$ (1,801)
Mortgage-backed securities	263,240	(2,779)	2,902	(129)	266,142	(2,908)
Tax-exempt municipal securities	484,881	(10,997)	210,282	(17,029)	695,163	(28,026)
Mortgage-backed securities:						
Residential	70,933	(28,733)	156,748	(52,037)	227,681	(80,770)
Commercial	—	—	210,557	(33,579)	210,557	(33,579)
Asset-backed securities	1,111	(94)	3,520	(676)	4,631	(770)
Corporate debt securities	236,500	(10,687)	288,461	(37,951)	524,961	(48,638)
Total debt securities	1,330,614	(55,091)	872,470	(141,401)	2,203,084	(196,492)
Equity securities	685	(107)	—	—	685	(107)
Total	$ 1,331,299	$ (55,198)	$ 872,470	$(141,401)	$ 2,203,769	$(196,599)
December 31, 2008						
U.S. Treasury and other U.S. government corporations and agencies:						
U.S. Treasury and agency obligations	$ 146,315	$ (68)	$ —	$ —	$ 146,315	$ (68)
Mortgage-backed securities	18,308	(168)	4,297	(57)	22,605	(225)
Tax-exempt municipal securities	409,787	(22,238)	141,730	(17,975)	551,517	(40,213)
Mortgage-backed securities:						
Residential	246,144	(96,593)	18,092	(8,531)	264,236	(105,124)
Commercial	153,415	(28,404)	106,885	(25,230)	260,300	(53,634)
Asset-backed securities	141,495	(12,200)	1,377	(75)	142,872	(12,275)
Corporate debt securities	422,005	(64,786)	98,124	(35,056)	520,129	(99,842)
Total debt securities	1,537,469	(224,457)	370,505	(86,924)	1,907,974	(311,381)
Equity securities	7,388	(1,655)	—	—	7,388	(1,655)
Total	$ 1,544,857	$(226,112)	$ 370,505	$ (86,924)	$1,915,362	$ (313,036)

Approximately 97% of all of our debt securities were of investment-grade quality, with an average credit rating of AA+ by S&P at June 30, 2009. Most of the debt securities that are below investment-grade are rated BB or better, the higher end of the below investment-grade rating scale. At June 30, 2009, 32% of our tax exempt securities were insured by bond insurers and have an equivalent S&P credit rating of AA exclusive of the bond insurers guarantee. Our investment policy limits investments in a single issuer and requires diversification among various asset types.

The largest amount of our unrealized losses at June 30, 2009 relate to our residential and commercial mortgage-backed securities. Factors such as seniority, underlying collateral characteristics and credit enhancements support the recoverability of these securities. Residential mortgage-backed securities with an average credit rating of AA- at

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Unaudited

June 30, 2009, are primarily composed of senior tranches having high credit support, with 98% of the collateral consisting of prime loans. All commercial mortgage-backed securities are rated AAA at June 30, 2009 and are also composed of senior tranches with a high amount of credit support.

All issuers of securities trading at an unrealized loss remain current on all contractual payments. After taking into account these and other factors previously described, we believe these unrealized losses primarily were caused by an increase in investment yields as a result of wider credit spreads and tighter liquidity conditions in the current markets than when the securities were purchased. As of June 30, 2009, we do not intend to sell the securities with an unrealized loss position in accumulated other comprehensive income and it is not likely that we will be required to sell these securities before recovery of their amortized cost basis, and as a result, we believe that the securities with an unrealized loss are not other-than-temporarily impaired as of June 30, 2009.

For the purpose of determining gross realized gains and losses, which are included as a component of investment income in the consolidated statements of income, the cost of investment securities sold is based upon specific identification. The detail of realized gains (losses) related to investment securities and included with investment income was as follows for the three and six months ended June 30, 2009 and 2008:

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Gross realized gains	$ 35,109	$14,934	$ 50,746	$ 33,107
Gross realized losses	(26,602)	(6,349)	(41,196)	(14,258)
Net realized gains	$ 8,507	$ 8,585	$ 9,550	$ 18,849

There were no material other-than-temporary impairments during the three and six months ended June 30, 2009 and 2008.

The contractual maturities of debt securities available for sale at June 30, 2009, regardless of their balance sheet classification, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(in thousands)	
Due within one year	$ 259,369	$ 260,038
Due after one year through five years	1,193,903	1,219,541
Due after five years through ten years	1,172,897	1,172,825
Due after ten years	1,352,713	1,327,833
Mortgage and asset-backed securities	1,931,982	1,838,581
Total debt securities	$5,910,864	$5,818,818

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Unaudited

5. FAIR VALUE

The following table summarizes our fair value measurements at June 30, 2009 and December 31, 2008, respectively, for financial assets measured at fair value on a recurring basis:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
June 30, 2009				
Cash equivalents	$ 1,490,501	$ 1,490,501	$ —	$ —
Investment securities	5,823,620	—	5,732,461	91,159
Securities lending invested collateral	270,120	—	270,120	—
Total invested assets	$ 7,584,241	$ 1,490,501	$ 6,002,581	$91,159
December 31, 2008				
Cash equivalents	$1,549,966	$1,549,966	$ —	$ —
Investment securities	5,215,442	—	5,123,516	91,926
Securities lending invested collateral	402,399	—	402,399	—
Total invested assets	$ 7,167,807	$1,549,966	$5,525,915	$91,926

During the six months ended June 30, 2009 and 2008, the changes in the fair value of the assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	For the six months ended June 30,	
	2009	2008
	(in thousands)	
Beginning balance at January 1	$91,926	$ 18,698
Total gains or losses:		
Realized in earnings	39	27
Unrealized in other comprehensive income	171	697
Purchases, sales, issuances, and settlements, net	(802)	(1,133)
Transfers in and/or out of Level 3	605	—
Balance at March 31	91,939	18,289
Total gains or losses:		
Realized in earnings	16	45
Unrealized in other comprehensive income	222	(953)
Purchases, sales, issuances, and settlements, net	(1,018)	1,702
Transfers in and/or out of Level 3	—	95,523
Balance at June 30	$91,159	$114,606

Level 3 assets primarily include auction rate securities. Auction rate securities are debt instruments with interest rates that reset through periodic short-term auctions. The auction rate securities we own, which had a fair value of $73.2 million at June 30, 2009, or less than 1% of our total invested assets, primarily consist of tax-exempt bonds rated AAA and AA and collateralized by federally guaranteed student loans. Liquidity issues in the global credit markets led to failed auctions. A failed auction is not a default of the debt instrument, but does set a new, generally higher interest rate in accordance with the original terms of the debt instrument. Liquidation of auction

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rate securities results when (1) a successful auction occurs, (2) the securities are called or refinanced by the issuer, (3) a buyer is found outside the auction process, or (4) the security matures. We continue to receive income on all auction rate securities and from time to time full and partial redemption calls. Given the liquidity issues, fair value could not be estimated based on observable market prices and as such unobservable inputs were used.

Total gains or losses included in earnings for the three months ended June 30, 2009 and 2008 were included in investment income.

6. MEDICARE PART D

The condensed consolidated balance sheets include the following amounts associated with Medicare Part D as of June 30, 2009 and December 31, 2008. The risk corridor settlement includes amounts classified as long-term because settlement associated with the 2009 provision will exceed 12 months as of June 30, 2009.

	June 30, 2009		December 31, 2008	
	Risk Corridor Settlement	CMS Subsidies	Risk Corridor Settlement	CMS Subsidies
	(in thousands)			
Other current assets	$ 88,454	$ 384,955	$ 78,728	$ 322,108
Trade accounts payable and accrued expenses	(18,896)	(593,888)	(23,311)	(219,676)
Net current asset (liability)	69,558	(208,933)	55,417	102,432
Other long-term assets	1,296	—	—	—
Other long-term liabilities	(33,288)	—	—	—
Net long-term liability	(31,992)	—	—	—
Total net asset (liability)	$ 37,566	$ (208,933)	$ 55,417	$ 102,432

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill, by operating segment, for the six months ended June 30, 2009 were as follows:

	Commercial	Government	Total
		(in thousands)	
Balance at December 31, 2008	$ 1,266,919	$ 696,192	$ 1,963,111
Purchase price allocation adjustments related to prior year acquisitions	10,907	15,598	26,505
Contingent purchase price settlements related to prior year acquisitions	1,819	1,489	3,308
Balance at June 30, 2009	$ 1,279,645	$ 713,279	$ 1,992,924

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The following table presents details of our other intangible assets included in other long-term assets in the accompanying condensed consolidated balance sheets at June 30, 2009 and December 31, 2008:

	Weighted Average Life at 6/30/09	June 30, 2009			December 31, 2008		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
				(in thousands)			
Other intangible assets:							
Customer contracts	11.1 yrs	$321,385	$102,919	$ 218,466	$ 341,085	$ 86,288	$254,797
Provider contracts	18.0 yrs	36,253	5,942	30,311	36,253	4,903	31,350
Trade names and other	10.7 yrs	18,196	5,384	12,812	22,486	7,345	15,141
Total other intangible assets	11.7 yrs	$ 375,834	$ 114,245	$261,589	$399,824	$ 98,536	$ 301,288

Amortization expense for other intangible assets was approximately $19.1 million for the six months ended June 30, 2009 and $17.3 million for the six months ended June 30, 2008. The following table presents our estimate of amortization expense for 2009 and for each of the five succeeding fiscal years:

	(in thousands)
For the years ending December 31,	
2009	$ 37,307
2010	$ 33,764
2011	$ 32,101
2012	$ 30,413
2013	$ 26,614
2014	$ 23,848

8. COMPREHENSIVE INCOME

The following table presents details supporting the computation of comprehensive income for the three and six months ended June 30, 2009 and 2008:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Net income	$281,780	$209,896	$ 487,497	$290,066
Net unrealized investment gains (losses) and other, net of tax	88,368	(58,437)	88,687	(65,146)
Comprehensive income, net of tax	$ 370,148	$151,459	$576,184	$ 224,920

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9. EARNINGS PER COMMON SHARE COMPUTATION

Detail supporting the computation of basic and diluted earnings per common share was as follows for the three and six months ended June 30, 2009 and 2008:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands, except per share results)			
Net income available for common stockholders	$ 281,780	$ 209,896	$ 487,497	$ 290,066
Weighted average outstanding shares of common stock used to compute basic earnings per common share	167,301	167,146	167,172	167,668
Dilutive effect of:				
Employee stock options	588	1,165	610	1,365
Restricted stock	780	686	882	766
Shares used to compute diluted earnings per common share	168,669	168,997	168,664	169,799
Basic earnings per common share	$ 1.68	$ 1.26	$ 2.92	$ 1.73
Diluted earnings per common share	$ 1.67	$ 1.24	$ 2.89	$ 1.71
Number of antidilutive stock options and restricted stock excluded from computation	6,635	3,769	6,850	2,590

10. STOCK REPURCHASE PLAN

In the third quarter of 2008, the Board of Directors authorized the repurchase of up to $250 million of our common shares exclusive of shares repurchased in connection with employee stock plans. The shares may be purchased from time to time at prevailing prices in the open market, by block purchases, or in privately-negotiated transactions, subject to certain restrictions on volume, pricing and timing. During the six months ended June 30, 2009, no shares were repurchased pursuant to the program and, accordingly, as of August 3, 2009, the remaining authorized amount totaled $250 million. The share repurchase program expires on December 31, 2009.

In connection with employee stock plans, we acquired 0.2 million common shares for $6.0 million and 0.2 million common shares for $12.1 million during the six months ended June 30, 2009 and 2008, respectively.

11. INCOME TAXES

The effective income tax rate was 36.0% and 33.6%, respectively, for the three and six months ended June 30, 2009 compared to 35.4% for the three and six months ended June 30, 2008. The decrease in the rate for the six months ended June 30, 2009 primarily is due to the reduction of the $16.8 million liability for unrecognized tax benefits as a result of settlements associated with the completion of the audit of our U.S. income tax returns for 2005 and 2006 during the first quarter of 2009.

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12. DEBT

The carrying value of long-term debt outstanding was as follows at June 30, 2009 and December 31, 2008:

	June 30, 2009	December 31, 2008
	(in thousands)	
Long-term debt:		
Senior notes	$ 1,644,856	$1,648,964
Credit agreement	—	250,000
Other long-term borrowings	37,798	38,068
Total long-term debt	$1,682,654	$ 1,937,032

During the six months ended June 30, 2009, we repaid $250.0 million of amounts previously borrowed under our $1.0 billion credit agreement to fund the acquisition of Cariten. As of June 30, 2009, there were no borrowings outstanding under our $1.0 billion credit agreement. The fair value of our long-term debt was $1,416.0 million at June 30, 2009 and $1,503.4 million at December 31, 2008. The fair value of our long-term debt is determined based on quoted market prices for the same or similar debt, or, if no quoted market prices are available, on the current rates estimated to be available to us for debt with similar terms and remaining maturities.

13. GUARANTEES AND CONTINGENCIES

Government Contracts

Our Medicare business, which accounted for approximately 62% of our total premiums and ASO fees for the six months ended June 30, 2009, primarily consisted of products covered under the Medicare Advantage and Medicare Part D Prescription Drug Plan contracts with the federal government. These contracts are renewed generally for a one-year term each December 31 unless CMS notifies us of its decision not to renew by August 1 of the calendar year in which the contract would end, or we notify CMS of our decision not to renew by the first Monday in June of the calendar year in which the contract would end. All material contracts between Humana and CMS relating to our Medicare business have been renewed for 2010.

CMS is performing audits of selected Medicare Advantage plans to validate the provider coding practices under the risk-adjustment model used to reimburse Medicare Advantage plans. Several Humana contracts are included in audits being undertaken by CMS. Some of these audits involve a comprehensive review of medical records and CMS has notified us that such audits might result in contract-level payment adjustments to premium payments made to a health plan pursuant to its Medicare contract with CMS or other payment reductions. The first of these audits focuses on risk-adjustment data for 2006 used to determine 2007 payment amounts. Based on audit results, CMS may make contract-level payment adjustments that could occur during 2009, and adjustments might occur prior to our or other Medicare Advantage plans having the opportunity to appeal audit findings. We primarily rely on providers to appropriately document risk-adjustment data in their medical records and appropriately code their claim submissions, which we send to CMS as the basis for our risk-adjustment model premium. We are working with CMS and our industry group to develop an orderly audit process, for which CMS has not yet indicated the complete details. Therefore, we are unable to predict the complete audit methodology to be used by CMS, the outcome of these audits, or whether these audits would result in a payment adjustment. However, it is reasonably possible that a payment adjustment as a result of these audits could occur, and that any such adjustment could have a material adverse effect on our results of operations, financial position, and cash flows.

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Our Medicaid business, which accounted for approximately 2% of our total premiums and ASO fees for the six months ended June 30, 2009, consisted of contracts in Puerto Rico and Florida, with the vast majority in Puerto Rico. Our Medicaid contracts with the Puerto Rico Insurance Administration for the East and Southeast regions were extended for four months to October 31, 2009 with no change in terms. In July 2009, the Puerto Rico Insurance Administration issued a formal request for proposal for new contracts to be effective November 1, 2009 for five regions. The request for proposal excluded the Metro North, Northeast and Southeast regions. We expect to bid on all regions under the request for proposal.

The loss of any of the contracts above or significant changes in these programs as a result of legislative action, including reductions in premium payments to us, or increases in member benefits without corresponding increases in premium payments to us, may have a material adverse effect on our results of operations, financial position, and cash flows.

Our military services business, which accounted for approximately 12% of our total premiums and ASO fees for the six months ended June 30, 2009, primarily consists of the TRICARE South Region contract. The original 5-year South Region contract expired March 31, 2009. Through an Amendment of Solicitation/Modification of Contract to the TRICARE South Region contract, an additional one-year option period, the sixth option period, which runs from April 1, 2009 through March 31, 2010, was exercised by the government. The Amendment also provides for two additional six-month option periods: the seventh option period runs from April 1, 2010 through September 30, 2010 and the eighth option period runs from October 1, 2010 through March 31, 2011. Exercise of each of the seventh and eighth option periods is at the government's option. The contract's transition provisions require the continuation of certain activities, primarily claims processing, during a wind-down period lasting approximately six months following the expiration date. Claims incurred on or prior to the expiration date would continue to be processed during the wind-down period under the terms existing prior to the expiration date.

As required under the current contract, the target underwritten health care cost and underwriting fee amounts for each option period are negotiated. Any variance from the target health care cost is shared with the federal government. Accordingly, events and circumstances not contemplated in the negotiated target health care cost amount could have a material adverse effect on us. These changes may include, for example, an increase or reduction in the number of persons enrolled or eligible to enroll due to the federal government's decision to increase or decrease U.S. military deployments. In the event government reimbursements were to decline from projected amounts, our failure to reduce the health care costs associated with these programs could have a material adverse effect on our results of operations, financial position, and cash flows.

In July 2009, we were notified by the Department of Defense (DoD) that we were not awarded the third generation TRICARE program contract for the South Region which had been subject to competing bids. We have filed a protest with the Government Accountability Office in connection with the award to another bidder but are not yet able to make a reasonable determination of the outcome of such protest. In our protest, we cited discrepancies between the award criteria and procedures prescribed in the request for proposals issued by the DoD and those that appear to have been used by the DoD in making its contractor selection.

For a discussion of the expected impact of the loss of the third generation TRICARE program contract for the South Region, see Note 15 to these condensed consolidated financial statements.

Legal Proceedings

Securities and Related Class Action Litigation

In March and April of 2008, Humana and certain of its officers (collectively, the "Class Action Defendants") were named as defendants in three substantially similar federal securities class actions filed in the U.S. District Court for the Western District of Kentucky, Louisville Division (*Capuano v. Humana Inc. et al.*, No. 3:08cv-162 M, filed on March 26, 2008; *Lach v. Humana Inc. et al.*, No. 3:08cv-181-H, filed on April 4, 2008; and *Dirusso v.*

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Humana Inc. et al., No. 3:08cv-187-H, filed on April 8, 2008). On July 17, 2008, those cases were consolidated and captioned *In re Humana Inc. Securities Litigation*, No. 3:08-CV-162-JHM-DW, and the Alaska Laborers Employers Retirement Fund and three individuals were designated as lead plaintiffs. On September 16, 2008, the lead plaintiffs filed a consolidated amended class action complaint (the "Consolidated Class Action Complaint"), which alleged that, from February 4, 2008 through March 11, 2008, the Class Action Defendants misled investors by knowingly making materially false and misleading statements regarding Humana's anticipated earnings per share for the first quarter of 2008 and for the fiscal year of 2008. The Consolidated Class Action Complaint alleged that the Class Action Defendants' statements regarding Humana's projected earnings per share were materially false and misleading because they failed to disclose that (i) Humana's financial reporting lacked a reasonable basis due to significant material weaknesses in Humana's internal controls, (ii) Humana could not properly calculate the prescription drug costs of its newly-acquired members, the mix of high and low cost members, and the correct pricing and discounts for its stand-alone Medicare Part D prescription drug plans ("PDPs"), and (iii) the assumptions underlying the earnings guidance that Humana issued in February 2008 were flawed. The Consolidated Class Action Complaint alleged that these actions violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and that the named officers were also liable as control persons under Section 20(a) of the Securities Exchange Act. The Consolidated Class Action Complaint sought the following relief: (i) certification of the action as a class action and designation of lead plaintiffs as class representatives; (ii) compensatory damages, including interest; (iii) an award of plaintiffs' legal fees and expenses; and (iv) other relief that the court deemed just and proper. On November 14, 2008, the Class Action Defendants filed a motion seeking dismissal of the case. The plaintiffs filed their opposition to that motion on January 13, 2009, and the Class Action Defendants filed a reply brief in support of their motion on February 27, 2009. On June 23, 2009, the Court entered an order granting the Class Action Defendants' motion and dismissed the Consolidated Class Action Complaint with prejudice. No appeal has been taken from that ruling, and the time to file such an appeal has expired.

In addition, Humana's directors and certain officers (collectively, the "Derivative Defendants") have been named as defendants in two substantially similar shareholder derivative actions filed in the Circuit Court for Jefferson County, Kentucky (*Del Gaizo v. McCallister et al.*, No. 08-CI-003527, filed on March 27, 2008; and *Regiec v. McCallister et al.*, No. 08-CI-04236, filed on April 16, 2008) (collectively, the "Derivative Complaints"). Humana is named as a nominal defendant. The Derivative Complaints are premised on the same basic allegations and events underlying the federal securities class action described above, and allege, among other things, that some or all of the Derivative Defendants (i) caused Humana to misrepresent its business prospects, (ii) failed to correct Humana's earnings guidance, and (iii) caused Humana to charge co-payments for its PDPs that were based on incorrect estimates. The Derivative Complaints assert claims against the Derivative Defendants for breach of fiduciary duty, corporate waste, and unjust enrichment. The Derivative Complaints also assert claims against certain directors and officers of Humana for allegedly breaching their fiduciary duties by engaging in insider sales of Humana common stock and misappropriating Humana information. The Derivative Complaints seek the following relief, among other things: (i) damages in favor of Humana; (ii) an order directing Humana to take actions to reform and improve its internal governance and procedures, including holding shareholder votes on certain corporate governance policies and resolutions to amend Humana's Bylaws or Articles of Incorporation; (iii) restitution and disgorgement of the Derivative Defendants' alleged profits, benefits, and other compensation; (iv) an award of plaintiffs' legal costs and expenses; and (v) other relief that the court deems just and proper. The state court derivative actions were consolidated and captioned as *In re Humana Inc. Derivative Litigation*, No. 08-CI-003527. On May 12, 2008, the Circuit Court entered an order staying the consolidated state court derivative action pending the outcome of the Class Action Defendants' motion to dismiss the federal securities case. Pursuant to the Circuit Court's order, the state court derivative plaintiffs have until sixty (60) days after the dismissal of the federal securities case, which occurred on June 23, 2009, to file a consolidated complaint. To date, no such consolidated complaint has been filed.

In mid-2008, Humana and certain of its officers (collectively, the "ERISA Defendants") were also named as defendants in three substantially similar class action lawsuits filed in the Western District of Kentucky, Louisville Division, on behalf of a purported class of participants in and beneficiaries of the Humana Retirement and Savings Plan and the Humana Puerto Rico 1165(d) Retirement Plan (the "Plans") (*Benitez et al. v. Humana Inc. et al.*, No.

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3:08cv-211-H, filed on April 22, 2008; *Rose et al. vs. Humana Inc. et al.,* No. 3:08cv-236-JBC, filed on May 1, 2008; and *Riggs v. Humana Inc. et al.,* No. 3:08cv-304-M, filed on June 10, 2008). On September 9, 2008, those cases were consolidated and captioned *Benitez et al. v. Humana Inc. et al.*, No. 3:08cv-211-H, and four individuals were designated as lead plaintiffs. On October 24, 2008, the lead plaintiffs filed an amended complaint alleging violations of the Employee Retirement Income Security Act ("ERISA") (the "Amended ERISA Complaint"), which alleges, among other things, that the ERISA Defendants breached their fiduciary duties under ERISA by (i) offering Humana stock as an investment option within the Plans and making contributions in Humana stock when that stock was not a prudent investment for participants' retirement savings, (ii) providing misleading information, knowingly concealing information, and failing to provide participants with complete and accurate information regarding Humana's financial condition, its internal controls, its business practices, and the prudence of investing in its stock, (iii) failing to adequately monitor the Plans' fiduciaries and remove any fiduciaries whose performance was inadequate, and (iv) failing to avoid conflicts of interest and to serve the interests of the Plans' participants and beneficiaries with undivided loyalty. The Amended ERISA Complaint also alleges that certain defendants are liable for those breaches as co-fiduciaries because they enabled, knowingly participated in and/or knew of and failed to remedy those breaches. The Amended ERISA Complaint seeks the following relief, among other things: (i) repayment of alleged losses to the Plans, restoration of profits that the ERISA Defendants allegedly made using the Plans' assets, and restoration of Plan participants' lost profits; (ii) imposition of a constructive trust on any amounts by which the ERISA Defendants were unjustly enriched at the expense of the Plans; (iii) appointment of one or more independent fiduciaries to participate in managing the Plans' investment in Humana stock; (iv) actual damages; (v) an award of plaintiffs' legal fees and costs; and (vi) equitable restitution and other equitable monetary relief. On December 8, 2008, the ERISA Defendants filed a motion seeking dismissal of the case. The plaintiffs filed their opposition to that motion on January 29, 2009. The ERISA Defendants filed a reply brief in support of their motion on March 2, 2009. On April 15, 2009, the plaintiffs filed a motion requesting the Court's permission to file an additional reply brief. The ERISA Defendants opposed that motion on April 21, 2009. The court has not ruled on the plaintiffs' motion to file an additional reply brief or the ERISA Defendants' motion to dismiss the case.

Provider Litigation

Humana Military Healthcare Services, Inc. ("HMHS") has been named as a defendant in *Sacred Heart Health System, Inc., et al. v. Humana Military Healthcare Services Inc.*, Case No. 3:07-cv-00062 MCR/EMT (the "Sacred Heart" Complaint), a class action lawsuit filed on February 5, 2007 in the U.S. District Court for the Northern District of Florida asserting contract and fraud claims against HMHS. The Sacred Heart Complaint alleges, among other things, that, HMHS breached its network agreements with a class of hospitals, including the seven named plaintiffs, in six states that contracted for reimbursement of outpatient services provided to beneficiaries of the Department of Defense's TRICARE health benefits program ("TRICARE"). The Complaint alleges that HMHS breached its network agreements when it failed to reimburse the hospitals based on negotiated discounts for non-surgical outpatient services performed on or after October 1, 1999, and instead reimbursed them based on published CHAMPUS Maximum Allowable Charges (so-called "CMAC rates"). HMHS denies that it breached the network agreements with the hospitals and asserted a number of defenses to these claims. The Complaint seeks, among other things, the following relief for the purported class members: (i) damages as a result of the alleged breach of contract by HMHS, (ii) taxable costs of the litigation, (iii) attorneys fees, and (iv) any other relief the court deems just and proper. Separate and apart from the class relief, named plaintiff Sacred Heart Health System Inc. requests damages and other relief the court deems just and proper for its individual claim against HMHS for fraud in the inducement to contract. On September 25, 2008, the district court certified a class consisting of "all institutional healthcare service providers in TRICARE former Regions 3 and 4 which had network agreements with [HMHS] to provide outpatient non-surgical services to CHAMPUS/TRICARE beneficiaries as of November 18, 1999, excluding those network providers who contractually agreed with [HMHS] to submit any such disputes with [HMHS] to arbitration." HMHS is challenging the certification of this class action. On October 9, 2008, HMHS petitioned the U.S. Court of Appeals for the Eleventh Circuit pursuant to Federal Rule of Civil Procedure 23(f) for permission to appeal on an interlocutory basis. On November 14, 2008, the Court of Appeals granted HMHS's petition. On November 21, 2008, the district court stayed proceedings in the case pending the result of the appeal on the class issue or until

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further notice. Oral argument before the Court of Appeals is scheduled for August 25, 2009. On March 2, 2009, in a case styled *Southeast Georgia Regional Medical Center, et al. v. HMHS*, the named plaintiffs filed an arbitration demand, seeking relief on the same grounds as the plaintiffs in the *Sacred Heart* litigation. The arbitration plaintiffs are seeking certification of a class consisting of all institutional healthcare service providers who had contracts with HMHS to provide outpatient non-surgical services and whose agreements provided for dispute resolution through arbitration. HMHS submitted its response to the demand for arbitration on May 1, 2009.

Humana intends to defend each of these actions vigorously.

Other Lawsuits and Regulatory Matters

Our current and past business practices are subject to review by various state insurance and health care regulatory authorities and other state and federal regulatory authorities. These authorities regularly scrutinize the business practices of health insurance and benefits companies. These reviews focus on numerous facets of our business, including claims payment practices, competitive practices, commission payments, privacy issues, utilization management practices, and sales practices. Some of these reviews have historically resulted in fines imposed on us and some have required changes to some of our practices. We continue to be subject to these reviews, which could result in additional fines or other sanctions being imposed on us or additional changes in some of our practices.

In February 2008, the New York Attorney General initiated an industry-wide investigation into certain provider-payment practices. Like other companies, we received subpoenas in connection with this matter. We cooperated fully with the investigation. Our operations in New York consist primarily of Medicare business which was not subject to the investigation. Subsequently, the New York Attorney General settled this matter with certain other industry participants and announced on June 18, 2009 that he had completed his investigation. We have also responded and are continuing to respond to similar requests for information from other states' attorneys general and departments of insurance.

We also are involved in various other lawsuits that arise, for the most part, in the ordinary course of our business operations, including employment litigation, claims of medical malpractice, bad faith, nonacceptance or termination of providers, anticompetitive practices, improper rate setting, failure to disclose network discounts and various other provider arrangements, general contractual matters, intellectual property matters, and challenges to subrogation practices. We also are subject to claims relating to performance of contractual obligations to providers, members, and others, including failure to properly pay claims, improper policy terminations, challenges to our implementation of the new Medicare prescription drug program and other litigation.

Personal injury claims and claims for extracontractual damages arising from medical benefit denials are covered by insurance from our wholly owned captive insurance subsidiary and excess carriers, except to the extent that claimants seek punitive damages, which may not be covered by insurance in certain states in which insurance coverage for punitive damages is not permitted. In addition, insurance coverage for all or certain forms of liability has become increasingly costly and may become unavailable or prohibitively expensive in the future.

The outcome of the securities litigation, provider litigation, and other current or future suits or governmental investigations cannot be accurately predicted with certainty, and it is reasonably possible that their outcomes could have a material adverse effect on our results of operations, financial position, and cash flows.

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14. SEGMENT INFORMATION

We manage our business with two segments: Government and Commercial. The Government segment consists of beneficiaries of government benefit programs, and includes three lines of business: Medicare, Military, and Medicaid. The Commercial segment consists of members enrolled in our medical and specialty products marketed to employer groups and individuals. We identified our segments in accordance with the aggregation provisions of SFAS 131 , which aggregates products with similar economic characteristics. These characteristics include the nature of customer groups as well as pricing, benefits, and underwriting requirements. These segment groupings are consistent with information used by our Chief Executive Officer.

The accounting policies of each segment are the same and are described in Note 2 to the consolidated financial statements included in our Form 10-K for the year ended December 31, 2008. The results of each segment are measured by income before income taxes. We allocate all selling, general and administrative expenses, investment and other revenue, interest expense, and goodwill, but no other assets or liabilities, to our segments. Members served by our two segments often utilize the same medical provider networks, enabling us to obtain more favorable contract terms with providers. Our segments also share indirect overhead costs and assets. As a result, the profitability of each segment is interdependent.

Our segment results were as follows for the three and six months ended June 30, 2009 and 2008:

	Government Segment			
	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Revenues:				
Premiums:				
Medicare Advantage	$ 4,145,129	$ 3,491,824	$ 8,205,588	$ 6,659,541
Medicare stand-alone PDP	638,813	905,071	1,234,496	1,780,070
Total Medicare	4,783,942	4,396,895	9,440,084	8,439,611
Military services	924,308	806,976	1,795,479	1,617,635
Medicaid	160,529	141,976	317,189	285,656
Total premiums	5,868,779	5,345,847	11,552,752	10,342,902
Administrative services fees	23,155	19,456	43,488	42,162
Investment income	47,176	38,775	87,958	87,093
Other revenue	522	462	1,716	861
Total revenues	5,939,632	5,404,540	11,685,914	10,473,018
Operating expenses:				
Benefits	4,934,617	4,611,992	9,868,530	9,111,704
Selling, general and administrative	550,939	507,516	1,148,150	1,045,524
Depreciation and amortization	33,176	29,617	65,745	58,463
Total operating expenses	5,518,732	5,149,125	11,082,425	10,215,691
Income from operations	420,900	255,415	603,489	257,327
Interest expense	16,225	5,966	32,713	11,115
Income before income taxes	$ 404,675	$ 249,449	$ 570,776	$ 246,212

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Unaudited

	Commercial Segment			
	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands)			
Revenues:				
Premiums:				
Fully-insured				
PPO	$ 797,027	$ 903,833	$1,617,666	$ 1,803,128
HMO	747,066	622,193	1,485,096	1,204,384
Total fully-insured	1,544,093	1,526,026	3,102,762	3,007,512
Specialty	229,655	234,879	458,307	468,939
Total premiums	1,773,748	1,760,905	3,561,069	3,476,451
Administrative services fees	95,539	93,508	191,088	182,781
Investment income	28,164	42,046	56,926	83,687
Other revenue	61,806	49,863	115,553	94,629
Total revenues	1,959,257	1,946,322	3,924,636	3,837,548
Operating expenses:				
Benefits	1,432,928	1,426,490	2,768,325	2,744,812
Selling, general and administrative	453,403	408,525	919,995	820,962
Depreciation and amortization	27,302	23,841	52,747	45,953
Total operating expenses	1,913,633	1,858,856	3,741,067	3,611,727
Income from operations	45,624	87,466	183,569	225,821
Interest expense	10,349	11,901	20,633	23,091
Income before income taxes	$ 35,275	$ 75,565	$ 162,936	$ 202,730

15. SUBSEQUENT EVENTS

We have evaluated subsequent events through August 3, 2009, the date the condensed consolidated financial statements were issued.

Our military services business primarily consists of the TRICARE South Region contract which covers benefits for healthcare services provided to beneficiaries through March 31, 2010. In July 2009, we were notified by the Department of Defense that we were not awarded the third generation TRICARE program contract for the South Region which had been subject to competing bids. We have filed a protest with the Government Accountability Office in connection with the award to another bidder but are not yet able to make a reasonable determination of the outcome of such protest. In our protest, we cited discrepancies between the award criteria and procedures prescribed in the request for proposals issued by the DoD and those that appear to have been used by the DoD in making its contractor selection. For the six months ended June 30, 2009, premiums and ASO fees associated with the TRICARE South Region contract were $1.8 billion, or 11.7% of our total premiums and ASO fees. We currently are evaluating issues associated with our military services businesses such as potential impairment of certain assets primarily consisting of goodwill which had a carrying value of $50 million at June 30, 2009, potential exit costs, possible asset sales, and a strategic assessment of ancillary businesses. We cannot yet determine a reasonable estimate of the impact of such issues on our earnings.

Humana Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The condensed consolidated financial statements of Humana Inc. in this document present the Company's financial position, results of operations and cash flows, and should be read in conjunction with the following discussion and analysis. References to "we," "us," "our," "Company," and "Humana" mean Humana Inc. and its subsidiaries. This discussion includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in filings with the SEC, in our press releases, investor presentations, and in oral statements made by or with the approval of one of our executive officers, the words or phrases like "expects," "anticipates," "believes," "intends," "likely will result," "estimates," "projects" or variations of such words and similar expressions are intended to identify such forward–looking statements. These forward–looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, including, among other things, information set forth in Item 1A. – Risk Factors in our Form 10-K for the year ended December 31, 2008 that was filed with the SEC on February 20, 2009, in each case, as modified by the changes to these risk factors included in this document and other reports we filed subsequent to February 20, 2009 and are incorporated by reference herein. In making these statements, we are not undertaking to address or update these factors in future filings or communications regarding our business or results. In light of these risks, uncertainties and assumptions, the forward –looking events discussed in this document might not occur. There may also be other risks that we are unable to predict at this time. Any of these risks and uncertainties may cause actual results to differ materially from the results discussed in the forward–looking statements.

Overview

Headquartered in Louisville, Kentucky, Humana Inc. is one of the nation's largest publicly traded health and supplemental benefits companies, based on our 2008 revenues of $28.9 billion. We are a full-service benefits solutions company, offering a wide array of health and supplemental benefit products for employer groups, government benefit programs, and individuals. As of June 30, 2009, we had approximately 10.3 million members in our medical benefit plans, as well as approximately 6.8 million members in our specialty products.

We manage our business with two segments: Government and Commercial. The Government segment consists of beneficiaries of government benefit programs, and includes three lines of business: Medicare, Military, and Medicaid. The Commercial segment consists of members enrolled in our medical and specialty products marketed to employer groups and individuals. We identified our segments in accordance with the aggregation provisions of SFAS 131 , which aggregates products with similar economic characteristics. These characteristics include the nature of customer groups as well as pricing, benefits, and underwriting requirements. These segment groupings are consistent with information used by our Chief Executive Officer.

The results of each segment are measured by income before income taxes. We allocate all selling, general and administrative expenses, investment and other revenue, interest expense, and goodwill, but no other assets or liabilities, to our segments. Members served by our two segments often utilize the same medical provider networks, enabling us to obtain more favorable contract terms with providers. Our segments also share indirect overhead costs and assets. As a result, the profitability of each segment is interdependent.

Our results are impacted by many factors, but most notably are influenced by our ability to establish and maintain a competitive and efficient cost structure and to accurately and consistently establish competitive premium, ASO fee, and plan benefit levels that are commensurate with our benefit and administrative costs. Benefit costs are subject to a high rate of inflation due to many forces, including new higher priced technologies and medical procedures, new prescription drugs and therapies, an aging population, lifestyle challenges including diet and smoking, the tort liability system, and government regulation.

Our industry relies on two key statistics to measure performance. The benefit ratio, which is computed by taking total benefit expenses as a percentage of premium revenues, represents a statistic used to measure underwriting profitability. The selling, general, and administrative expense ratio, or SG&A expense ratio, which is computed by taking total selling, general and administrative expenses as a percentage of premium revenues, administrative services fees and other revenues, represents a statistic used to measure administrative spending efficiency.

Government Segment

Our strategy and commitment to the Medicare programs has led to significant growth. Medicare Advantage membership increased to 1,499,800 members at June 30, 2009, up 154,800 members, or 11.5%, from 1,345,000 at June 30, 2008, primarily due to sales of preferred provider organization, or PPO products. This increase also included the impact of the acquisitions of Cariten and Metcare, which together added 54,200 Medicare HMO members. Likewise, Medicare Advantage premium revenues have increased 23.2% to $8.2 billion for the six months ended June 30, 2009 from $6.7 billion for the six months ended June 30, 2008. Recently the mix of sales has shifted increasingly to our network-based PPO offerings, which is particularly important given the enactment of the Medicare Improvements for Patients and Providers Act of 2008, discussed more fully below. Medicare Advantage members enrolled in network-based products was approximately 62% at June 30, 2009 compared to 49% at June 30, 2008, with our PPO membership increasing 107% from June 30, 2008 to June 30, 2009.

Due to the enactment of the Medicare Improvements for Patients and Providers Act of 2008, or the Act, in July 2008, beginning in 2011 sponsors of Medicare Advantage Private Fee-For-Service, or PFFS, plans will be required to contract with providers to establish adequate networks, except in geographic areas that CMS determines have fewer than two network-based Medicare Advantage plans. We have 574,800 PFFS members, or approximately 38% of our total Medicare Advantage membership at June 30, 2009, down from 49% at December 31, 2008. Approximately 80% of these PFFS members at June 30, 2009 reside in geographies where we have developed a PPO network and offer a PPO plan. We are implementing various operational and strategic initiatives including further developing our PPO network and building network-based plan offerings to address the network requirement.

Final 2010 Medicare Advantage rates were announced by CMS on April 6, 2009, with an effective rate decrease for the industry of 4% to 5%. Based on information available at the time we filed our 2010 bids in June 2009, we believe we effectively designed Medicare Advantage products that address the lower rates while continuing to remain competitive compared to both the combination of original Medicare with a supplement policy as well as other Medicare Advantage competitors within our industry. In addition, we will continue to pursue our cost-reduction and outcome-enhancing strategies, including care coordination and disease management, to mitigate the adverse effects of this rate reduction on our Medicare Advantage members. Nonetheless, there can be no assurance that we will be able to successfully execute operational and strategic initiatives with respect to changes in the Medicare Advantage program. Failure to execute these strategies may result in a material adverse effect on our results of operations, financial position, and cash flows.

We also offer three Medicare stand-alone prescription drug plans, or PDPs, under the Medicare Part D program: our Standard, Enhanced, and Complete products. These plans provide varying degrees of coverage. In order to offer these plans in a given year, in June of the preceding year we must submit bids to CMS for approval. During 2008, we experienced prescription drug claim expenses for our Medicare stand-alone PDPs that were higher than we had originally assumed in the bid that we submitted to CMS in June 2007. These higher claim levels for our Medicare stand-alone PDPs reflected a combination of several variances between our actuarial bid assumptions versus our experience. These variances resulted from, among other things, differences between the actuarial utilization assumptions (which are our attempts to predict members' future utilization of drugs) in the bids for our Enhanced plans versus our actual claims experience in 2008, as well as an increase in the percentage of higher cost members in both our Standard and Enhanced plans. These issues were addressed for 2009 based on enhancements made to our bid development and review processes. Our Medicare stand-alone PDP membership declined to 1,992,000 members at June 30, 2009, down 1,074,600 members from December 31, 2008 and down 1,113,200 members from June 30, 2008, resulting primarily from our competitive positioning as we realigned stand-alone PDP premium and benefit designs to correspond with our historical prescription drug claims experience.

Our quarterly Government segment earnings and operating cash flows are impacted by the Medicare Part D benefit design and changes in the composition of our membership. The Medicare Part D benefit design results in coverage that varies as a member's cumulative out-of-pocket costs pass through successive stages of a member's plan period which begins January 1 for renewals. These plan designs generally result in us sharing a greater portion of the responsibility for total prescription drug costs in the early stages and less in the latter stages. As a result the Government segment's benefit ratio generally improves as the year progresses. In addition, the number of low-income senior members as well as year-over-year changes in the mix of membership in our stand-alone PDP products,

Standard, Enhanced, and Complete, affect the quarterly benefit ratio pattern. The impact of the Medicare Part D benefit designs on our overall earnings pattern is expected to be less in 2009 as compared to 2008 due to the loss of 1,074,600 Medicare stand-alone PDP members, or 35.0%, from December 31, 2008 to June 30, 2009 as discussed above.

Our military services business primarily consists of the TRICARE South Region contract which covers benefits for healthcare services provided to beneficiaries through March 31, 2010. In July 2009, we were notified by the Department of Defense that we were not awarded the third generation TRICARE program contract for the South Region which had been subject to competing bids. We have filed a protest with the Government Accountability Office in connection with the award to another bidder but are not yet able to make a reasonable determination of the outcome of such protest. In our protest, we cited discrepancies between the award criteria and procedures prescribed in the request for proposals issued by the DoD and those that appear to have been used by the DoD in making its contractor selection. For the six months ended June 30, 2009, premiums and ASO fees associated with the TRICARE South Region contract were $1.8 billion, or 11.7% of our total premiums and ASO fees. We currently are evaluating issues associated with our military services businesses such as potential impairment of certain assets primarily consisting of goodwill which had a carrying value of $50 million at June 30, 2009, potential exit costs, possible asset sales, and a strategic assessment of ancillary businesses. We cannot yet determine a reasonable estimate of the impact of such issues on our earnings.

Commercial Segment

Commercial segment pretax earnings, impacted by lower investment income and the adverse effects of the slowing economy, decreased by $39.8 million, or 19.6% for the 2009 period compared to the 2008 period. Commercial segment medical membership at June 30, 2009 of 3,447,900 decreased 110,600 members, or 3.1% from June 30, 2008, despite the acquisition of Cariten in the fourth quarter of 2008 which added approximately 49,700 fully-insured members and 21,600 ASO members, as discussed more fully below. Commercial segment medical membership decreased 172,900 members, or 4.8% from December 31, 2008 to June 30, 2009. The decline in membership primarily was a result of the slowing economy as well as the loss of a few larger ASO accounts. The slowing economy has led to increased in-group member attrition, particularly with respect to our smaller group accounts, as these employers reduce their workforce levels primarily through reductions in force of less experienced workers. As a result, we are also experiencing higher utilization of benefits in our smaller group accounts primarily due to the shift in the mix of members to an older workforce having more health care needs and members utilizing more benefits ahead of actual or perceived layoffs. The membership declines were partially offset by enrollment gains in our individual product, a strategic area of commercial growth. Individual membership increased 17% from June 30, 2008 to June 30, 2009, and 7% from December 31, 2008. This increase in individual membership, together with administrative costs associated with increased business for our mail-order pharmacy, led to a higher Commercial segment SG&A expense ratio. We expect Commercial segment medical membership to decline by 175,000 to 195,000 members for the full-year 2009 as compared to December 31, 2008, reflecting the impact of member attrition due to workforce reductions as well as the loss of a few larger ASO accounts.

Volatility in the Financial Markets

The securities and credit markets continue to experience volatility, increasing risk with respect to our financial assets. At June 30, 2009, cash, cash equivalents and our investment securities totaled $7.4 billion, or 54.1% of total assets, with 21.4% of the $7.4 billion invested in cash and cash equivalents. Investment securities consist primarily of debt securities of investment-grade quality with an average credit rating by S&P of AA+ at June 30, 2009 and an average duration of approximately 4.2 years. Including cash and cash equivalents, the average duration of our investment portfolio was approximately 3.4 years. We had $5.5 million of mortgage-backed securities associated with Alt-A or subprime loans at June 30, 2009 and no collateralized debt obligations.

Gross unrealized losses were $196.6 million at June 30, 2009 compared to $313.0 million at December 31, 2008. Gross unrealized gains were $104.4 million at June 30, 2009 compared to $83.2 million at December 31, 2008. All issuers of securities trading at an unrealized loss remain current on all contractual payments. We believe these unrealized losses primarily were caused by an increase in investment yields as a result of wider credit spreads and tighter liquidity conditions in the current markets than when the securities were purchased. As of June 30, 2009, we do not intend to sell the securities with an unrealized loss position in accumulated other comprehensive income and it is not likely that we will be required to sell these securities before recovery of their amortized costs basis, and as a result, we believe that the securities with an unrealized loss are not other-than-temporarily impaired as of June 30, 2009.

We continuously review our investment portfolios. Given current market conditions, there is a continuing risk that further declines in fair value may occur and additional material realized losses from sales or other-than-temporary impairments may be recorded in future periods.

In addition, in the fall of 2008 we terminated all fixed to variable interest-rate swap agreements outstanding associated with our senior notes based on recent changes in the credit market environment. In exchange for terminating these interest-rate swap agreements, we received cash of $93.0 million representing the fair value of the swap assets. This transaction also fixed the interest rate on our senior notes to a weighted-average rate of 6.08%. We may re-enter into swap agreements in the future depending on market conditions and other factors.

The availability of liquidity and credit capacity in general has been impacted by the current conditions in the financial markets. We believe our cash balances, investment securities, operating cash flows, and funds available under our credit agreement or from other public or private financing sources, taken together, provide adequate resources to fund ongoing operating and regulatory requirements, future expansion opportunities, and capital expenditures in the foreseeable future, as well as to refinance debt as it matures. Our long-term debt, consisting primarily of senior notes, of $1,682.7 million represented 25.0% of total capitalization at June 30, 2009, declining from 30.3% at December 31, 2008. The earliest maturity of our senior notes is in June 2016. We have available a 5-year, $1.0 billion unsecured revolving credit agreement which expires in July 2011. As of June 30, 2009, there were no borrowings outstanding under this credit agreement.

Certain of our subsidiaries operate in states that regulate the payment of dividends, loans, or other cash transfers to Humana Inc., the parent company, and require minimum levels of equity as well as limit investments to approved securities. The amount of dividends that may be paid to Humana Inc. by these subsidiaries, without prior approval by state regulatory authorities, is limited based on the entity's level of statutory income and statutory capital and surplus. In most states, prior notification is provided before paying a dividend even if approval is not required. In the first half of 2009, our subsidiaries paid dividends of $774.1 million to the parent compared to $296.0 million for the full year 2008. In addition, the parent made capital contributions to our subsidiaries of $100.0 million during the first half of 2009. We expect capital contributions to our subsidiaries for the full year 2009 to be less than the $243 million contributed in 2008.

Recent Acquisitions

On October 31, 2008 we acquired PHP Companies, Inc. (d/b/a Cariten Healthcare), or Cariten, for cash consideration of approximately $256.1 million. The Cariten acquisition increased our presence in eastern Tennessee, adding approximately 49,700 commercial fully-insured members, 21,600 commercial ASO members, and 46,900 Medicare HMO members. This acquisition also added approximately 85,700 Medicaid ASO members under a contract which expired on December 31, 2008 and was not renewed.

On August 29, 2008, we acquired Metcare Health Plans, Inc., or Metcare, for cash consideration of approximately $14.9 million. The acquisition expanded our Medicare HMO membership in central Florida, adding approximately 7,300 members.

On May 22, 2008, we acquired OSF Health Plans, Inc., or OSF, a managed care company serving both Medicare and commercial members in central Illinois, for cash consideration of approximately $87.3 million. This acquisition expanded our presence in Illinois, broadening our ability to serve multi-location employers with a wider range of products, including our specialty offerings. The acquisition added approximately 33,400 commercial fully-insured members, 29,700 commercial ASO members, and 14,000 Medicare HMO and PPO members.

On April 30, 2008, we acquired UnitedHealth Group's Las Vegas, Nevada individual SecureHorizons Medicare Advantage HMO business, or SecureHorizons, for cash consideration of approximately $185.3 million, plus subsidiary capital and surplus requirements of $40 million. The acquisition expanded our presence in the Las Vegas market, adding approximately 26,700 Medicare HMO members.

Recently Issued Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board, or FASB, issued two FASB Staff Positions, or FSPs, to address concerns about (1) measuring the fair value of financial instruments when the markets become inactive and quoted prices may reflect distressed transactions and (2) recording impairment charges on investments in debt securities. The FASB also issued a third FSP to require disclosures of fair values of certain financial instruments in interim financial statements.

FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, provides additional guidance to highlight and expand on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. This FSP also requires new disclosures relating to fair value measurement inputs and valuation techniques (including changes in inputs and valuation techniques).

FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments,* changed (1) the trigger for determining whether an other-than-temporary impairment exists and (2) the amount of an impairment charge to be recorded in earnings. To determine whether an other-than-temporary impairment exists, an entity is required to assess the likelihood of selling a security prior to recovering its cost basis. This is a change from the previous requirement for an entity to assess whether it had the intent and ability to hold a security to recovery or maturity. This FSP also expands and increases the frequency of existing disclosure about other-than-temporary impairments and requires new disclosures of the significant inputs used in determining a credit loss, as well as a rollforward of that amount each period.

FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, increases the frequency of fair value disclosures from annual to quarterly to provide financial statement users with more timely information about the effects of current market conditions on their financial instruments.

We adopted these FSPs for the quarter ended June 30, 2009. Refer to Note 4, Note 5 and Note 12 to the condensed consolidated financial statements included in this report for disclosures related to these FSPs.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*, or SFAS 165, which establishes general standards of accounting for disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The standard is based on the same principles that currently exist in the auditing standards. SFAS 165 requires disclosure of the date through which subsequent events have been evaluated and for certain nonrecognized subsequent events, the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made. We adopted SFAS 165 for the quarter ended June 30, 2009. Refer to Note 15 to the condensed consolidated financial statements included in this report for the related disclosures.

In June 2009, the FASB issued FASB Statement No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, or SFAS 168. The FASB Accounting Standards Codification™ (ASC) is the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB and supersedes all existing non-SEC accounting and reporting standards. All ASC content carries the same level of authority and anything outside of the ASC is nonauthoritative. SFAS 168 is effective for us beginning with our third quarter 2009 condensed consolidated financial statements. The adoption of this standard in the third quarter of 2009 will change the way we reference accounting standards in our disclosures.

Comparison of Results of Operations for 2009 and 2008

The following discussion primarily deals with our results of operations for the three months ended June 30, 2009, or the 2009 quarter, the three months ended June 30, 2008, or the 2008 quarter, the six months ended June 30, 2009, or the 2009 period, and the six months ended June 30, 2008, or the 2008 period.

The following table presents certain financial data for our two segments:

	For the three months ended June 30,		Change	
	2009	2008	Dollars	Percentage
	(in thousands, except ratios)			
Premium revenues:				
Medicare Advantage	$ 4,145,129	$ 3,491,824	$ 653,305	18.7%
Medicare stand-alone PDP	638,813	905,071	(266,258)	(29.4)%
Total Medicare	4,783,942	4,396,895	387,047	8.8%
Military services	924,308	806,976	117,332	14.5%
Medicaid	160,529	141,976	18,553	13.1%
Total Government	5,868,779	5,345,847	522,932	9.8%
Fully-insured	1,544,093	1,526,026	18,067	1.2%
Specialty	229,655	234,879	(5,224)	(2.2)%
Total Commercial	1,773,748	1,760,905	12,843	0.7%
Total	$ 7,642,527	$ 7,106,752	$ 535,775	7.5%
Administrative services fees:				
Government	$ 23,155	$ 19,456	$ 3,699	19.0%
Commercial	95,539	93,508	2,031	2.2%
Total	$ 118,694	$ 112,964	$ 5,730	5.1%
Income before income taxes:				
Government	$ 404,675	$ 249,449	$ 155,226	62.2%
Commercial	35,275	75,565	(40,290)	(53.3)%
Total	$ 439,950	$ 325,014	$ 114,936	35.4%
Benefit ratios [(a)]:				
Government	84.1%	86.3%		(2.2)%
Commercial	80.8%	81.0%		(0.2)%
Total	83.3%	85.0%		(1.7)%
SG&A expense ratios [(b)]:				
Government	9.3%	9.5%		(0.2)%
Commercial	23.5%	21.5%		2.0%
Total	12.8%	12.6%		0.2%

	For the six months ended June 30,		Change	
	2009	2008	Dollars	Percentage
	(in thousands, except ratios)			
Premium revenues:				
Medicare Advantage	$ 8,205,588	$ 6,659,541	$ 1,546,047	23.2%
Medicare stand-alone PDP	1,234,496	1,780,070	(545,574)	(30.6)%
Total Medicare	9,440,084	8,439,611	1,000,473	11.9%
Military services	1,795,479	1,617,635	177,844	11.0%
Medicaid	317,189	285,656	31,533	11.0%
Total Government	11,552,752	10,342,902	1,209,850	11.7%
Fully-insured	3,102,762	3,007,512	95,250	3.2%
Specialty	458,307	468,939	(10,632)	(2.3)%
Total Commercial	3,561,069	3,476,451	84,618	2.4%
Total	$ 15,113,821	$ 13,819,353	$ 1,294,468	9.4%
Administrative services fees:				
Government	$ 43,488	$ 42,162	$ 1,326	3.1%
Commercial	191,088	182,781	8,307	4.5%
Total	$ 234,576	$ 224,943	$ 9,633	4.3%
Income before income taxes:				
Government	$ 570,776	$ 246,212	$ 324,564	131.8%
Commercial	162,936	202,730	(39,794)	(19.6)%
Total	$ 733,712	$ 448,942	$ 284,770	63.4%
Benefit ratios [a]:				
Government	85.4%	88.1%		(2.7)%
Commercial	77.7%	79.0%		(1.3)%
Total	83.6%	85.8%		(2.2)%
SG&A expense ratios [b]:				
Government	9.9%	10.1%		(0.2)%
Commercial	23.8%	21.9%		1.9%
Total	13.4%	13.2%		0.2%

(a) Represents total benefit expenses as a percentage of premium revenue. Also known as the benefit ratio.

(b) Represents total selling, general, and administrative (SG&A) expenses as a percentage of premium revenues, administrative services fees, and other revenues. Also known as the SG&A expense ratio.

Ending medical membership was as follows at June 30, 2009 and 2008:

	June 30,		Change	
	2009	2008	Members	Percentage
Medical Membership:				
Government segment:				
Medicare Advantage	1,499,800	1,345,000	154,800	11.5%
Medicare stand-alone PDP	1,992,000	3,105,200	(1,113,200)	(35.8)%
Total Medicare	3,491,800	4,450,200	(958,400)	(21.5)%
Military services	1,753,400	1,737,600	15,800	0.9%
Military services ASO	1,254,900	1,206,200	48,700	4.0%
Total military services	3,008,300	2,943,800	64,500	2.2%
Medicaid	393,600	387,700	5,900	1.5%
Medicaid ASO	—	173,800	(173,800)	(100.0)%
Total Medicaid	393,600	561,500	(167,900)	(29.9)%
Total Government	6,893,700	7,955,500	(1,061,800)	(13.3)%
Commercial segment:				
Fully-insured	1,871,700	1,936,600	(64,900)	(3.4)%
ASO	1,576,200	1,621,900	(45,700)	(2.8)%
Total Commercial	3,447,900	3,558,500	(110,600)	(3.1)%
Total medical membership	10,341,600	11,514,000	(1,172,400)	(10.2)%
Specialty Membership:				
Commercial segment [a]	6,790,400	6,744,400	46,000	0.7%

(a) The Commercial segment provides a full range of insured specialty products including dental, vision, and other supplemental products. Members included in these products may not be unique to each product since members have the ability to enroll in multiple products.

These tables of financial data should be reviewed in connection with the discussion that follows. We intend for the discussion of our financial condition and results of operations that follows to assist in the understanding of our financial statements and related changes in certain key items in those financial statements from year to year, including the primary factors that accounted for those changes.

Summary

Net income was $281.8 million, or $1.67 per diluted common share, in the 2009 quarter compared to $209.9 million, or $1.24 per diluted common share, in the 2008 quarter. Net income was $487.5 million, or $2.89 per diluted common share, in the 2009 period compared to $290.1 million, or $1.71 per diluted common share, in the 2008 period. The increase in earnings resulted primarily from lower Medicare stand-alone PDP claim expenses in 2009, contributing to improved operating performance in the Government segment.

Premium Revenues and Medical Membership

Premium revenues increased 7.5% to $7.6 billion for the 2009 quarter, compared to $7.1 billion for the 2008 quarter. For the 2009 period, premium revenues were $15.1 billion, an increase of $1.3 billion, or 9.4%, compared to $13.8 billion for the 2008 period. These increases are a result of higher premium revenues in both the Government and Commercial segments. Premium revenues reflect changes in membership and increases in average per member premiums. Items impacting average per member premiums include changes in premium rates as well as changes in the geographic mix of membership, the mix of product offerings, and the mix of benefit plans selected by our membership.

Government segment premium revenues increased $0.6 billion, or 9.8%, to $5.9 billion for the 2009 quarter, compared to $5.3 billion for the 2008 quarter. For the 2009 period, Government segment premium revenues were $11.6 billion, an increase of $1.3 billion, or 11.7%, compared to $10.3 billion for the 2008 period. The increase

primarily was attributable to higher average Medicare Advantage membership and an increase in per member premiums, partially offset by a decrease in our Medicare stand-alone PDP membership. Average membership is calculated by summing the ending membership for each month in a period and dividing the result by the number of months in a period. Average Medicare Advantage membership increased 12.6% for the 2009 quarter and 14.5% for the 2009 period compared to the 2008 quarter and period, respectively. Sales of our PPO products drove the majority of the 154,800 increase in Medicare Advantage members since June 30, 2008. This increase also included the impact of the Cariten and Metcare acquisitions, which together added 54,200 Medicare HMO members. Medicare Advantage per member premiums increased 5.5% during the 2009 quarter and 7.6% during the 2009 period compared to the 2008 quarter and period, respectively. These per member premium increases in the 2009 quarter and period include the effect of introducing member premiums for most of our Medicare Advantage products. Medicare stand-alone PDP premium revenues decreased $0.3 billion, or 29.4%, during the 2009 quarter compared to the 2008 quarter and $0.5 billion, or 30.6%, during the 2009 period compared to the 2008 period. These decreases primarily were due to a 1,113,200, or 35.8%, decrease in PDP membership since June 30, 2008, primarily resulting from our competitive positioning as we realigned stand-alone PDP premium and benefit designs to correspond with our historical prescription drug claims experience.

Commercial segment premium revenues increased $12.8 million, or 0.7%, from the 2008 quarter to $1,773.7 million for the 2009 quarter. For the 2009 period, Commercial segment premium revenues increased $84.6 million, or 2.4%, to $3,561.1 million compared to $3,476.5 million for the 2008 period. The increases were primarily due to the acquisitions of OSF and Cariten in the second and fourth quarters of 2008, respectively, and an increase in per member premiums, partially offset by a decline in fully-insured membership. Per member premiums for fully-insured group accounts increased 5.5% during the 2009 quarter and 5.1% during the 2009 period compared to the 2008 quarter and period, respectively. Fully-insured membership decreased 3.4%, or 64,900 members, to 1,871,700 at June 30, 2009 compared to 1,936,600 at June 30, 2008. Excluding the 49,700 fully-insured members added with the acquisition of Cariten, the membership decrease of 114,600 primarily was due to the impact of the slowing economy which has led to increased in-group member attrition, particularly with respect to our smaller group accounts, as these employers reduce their workforce levels primarily through reductions in force.

Administrative Services Fees

Our administrative services fees were $118.7 million for the 2009 quarter, an increase of $5.7 million, or 5.1%, from $113.0 million for the 2008 quarter. For the 2009 period, administrative services fees were $234.6 million, an increase of $9.7 million, or 4.3%, from $224.9 million for the 2008 period. The increases in administrative services fees primarily were due to the acquisition of Cariten in the fourth quarter of 2008 as well as an increase in per member fees partially offset by a decline in Commercial ASO membership, primarily isolated to the loss of a few larger ASO accounts.

Investment Income

Investment income totaled $75.3 million for the 2009 quarter, a decrease of $5.5 million from $80.8 million for the 2008 quarter. For the 2009 period, investment income totaled $144.9 million, a decrease of $25.9 million from $170.8 million for the 2008 period. These declines primarily reflect the lower interest rate environment.

Other Revenue

Other revenue totaled $62.3 million for the 2009 quarter, an increase of $12.0 million from $50.3 million for the 2008 quarter. Other revenue totaled $117.3 million for the 2009 period, an increase of $21.8 million from $95.5 million for the 2008 period. The increases primarily were attributable to increased revenue from growth related to *Right*SourceRx℠, our mail-order pharmacy.

Benefit Expense

Consolidated benefit expense was $6.4 billion for the 2009 quarter, an increase of $0.4 billion, or 5.4%, from $6.0 billion for the 2008 quarter. For the 2009 period, consolidated benefit expense was $12.6 billion, an increase of $0.7 billion, or 6.6%, from $11.9 billion for the 2008 period. The increases were primarily driven by an increase in Government segment benefit expense, as described below.

The consolidated benefit ratio for the 2009 quarter was 83.3%, a 170 basis points decrease from 85.0% for the 2008 quarter. For the 2009 period, the consolidated benefit ratio was 83.6%, a 220 basis points decrease from 85.8% for the 2008 period. The decreases primarily were attributable to improvement in both the Government and Commercial segment benefit ratios, as described below.

The Government segment's benefit expenses increased $0.3 billion, or 7.0%, in the 2009 quarter compared to the 2008 quarter. For the 2009 period, the Government segment's benefit expenses increased $0.8 billion, or 8.3%, from the 2008 period. The increases primarily were due to an increase in the average number of Medicare Advantage members and the impact from the acquisitions of Cariten, Metcare, OSF, and SecureHorizons. The Government segment's benefit ratio for the 2009 quarter was 84.1%, a 220 basis point decrease from the 2008 quarter of 86.3%, primarily driven by a 240 basis point decline in the Medicare benefit ratio. Likewise, for the 2009 period, the Government segment's benefit ratio was 85.4%, a 270 basis point decrease from the 2008 period of 88.1%, primarily driven by a 320 basis point decline in the Medicare benefit ratio. The decline in the Medicare benefit ratio primarily resulted from a substantial decline in the Medicare stand-alone PDP benefit ratio as a result of our competitive positioning as we realigned stand-alone PDP premium and benefit designs to correspond with our historical prescription drug claims experience.

The Commercial segment's benefit expenses increased $6.4 million, or 0.5%, from the 2008 quarter to the 2009 quarter. For the 2009 period, the Commercial segment's benefit expenses increased $23.5 million, or 0.9%, from the 2008 period. The increases primarily resulted from the OSF and Cariten acquisitions in the second and fourth quarters of 2008, respectively. The benefit ratio for the Commercial segment of 80.8% for the 2009 quarter decreased 20 basis points from the 2008 quarter's benefit ratio of 81.0%. For the 2009 period, the Commercial segment's benefit ratio of 77.7% decreased 130 basis points from the 2008 period's benefit ratio of 79.0%. The year-over-year decrease primarily reflects an increase in per member premiums and a higher percentage of high deductible health plans, which due to plan design carry a lower benefit ratio in the first half of the year as compared to the second half, partially offset by higher utilization associated with the general economy, most pronounced in our small group business. We are experiencing higher utilization of benefits in our smaller group accounts as in-group attrition, primarily as a result of reductions in force of less experienced workers, has led to a shift in the mix of members to an older workforce having more health care needs and members utilizing more benefits ahead of actual or perceived layoffs.

SG&A Expense

Consolidated SG&A expenses increased $88.3 million, or 9.6%, during the 2009 quarter compared to the 2008 quarter. For the 2009 period, consolidated SG&A expenses increased $201.7 million, or 10.8%, from the 2008 period. The increases primarily resulted from an increase in the number of employees due to the Medicare growth and higher average individual product membership. The number of employees increased by 1,800, or 6.7%, to 28,600 at June 30, 2009 from 26,800 at June 30, 2008.

The consolidated SG&A expense ratio for the 2009 quarter was 12.8%, increasing 20 basis points from 12.6% for the 2008 quarter. For the 2009 period, the consolidated SG&A expense ratio was 13.4% compared to 13.2% for the 2008 period. The increases primarily were due to increases in the Commercial segment SG&A expense ratios partially offset by improvements in the Government SG&A expense ratios, as discussed below.

Our Government and Commercial segments bear both direct and shared indirect overhead SG&A expenses. We allocate the indirect overhead expenses shared by the two segments primarily as a function of revenues. As a result, the profitability of each segment is interdependent.

SG&A expenses in the Government segment increased $43.4 million, or 8.6%, during the 2009 quarter compared to the 2008 quarter. For the 2009 period, SG&A expenses of $1,148.2 million increased $102.6 million, or 9.8%, from the 2008 period. The Government segment SG&A expense ratio decreased 20 basis points from 9.5% for the 2008 quarter to 9.3 % for the 2009 quarter. For the 2009 period, the Government segment SG&A expense ratio of 9.9% decreased 20 basis points from 10.1% for the 2008 period. The decreases primarily resulted from efficiency gains associated with servicing higher average Medicare Advantage membership. For example, we transitioned the recently acquired OSF and Metcare members into our primary Medicare service platform and eliminated the cost of having duplicate platforms.

Commercial segment SG&A expenses increased $44.9 million, or 11.0%, during the 2009 quarter compared to the 2008 quarter. Commercial segment SG&A expenses increased $99.0 million, or 12.1%, during the 2009 period compared to the 2008 period. The Commercial segment SG&A expense ratio increased 200 basis points from 21.5% for the 2008 quarter to 23.5% for the 2009 quarter. For the 2009 period, the Commercial segment SG&A expense ratio of 23.8% increased 190 basis points from 21.9% for the 2008 period. The increases primarily were due to administrative costs associated with increased business for our mail-order pharmacy and higher average

individual product membership. Average individual product membership increased 18.9% during the 2009 quarter compared to the 2008 quarter and 22.4% during the 2009 period compared to the 2008 period. Individual accounts bear a higher SG&A expense ratio due to higher distribution costs as compared to larger accounts.

Depreciation and Amortization

Depreciation and amortization for the 2009 quarter totaled $60.5 million compared to $53.5 million for the 2008 quarter, an increase of $7.0 million, or 13.1%. Depreciation and amortization for the 2009 period totaled $118.5 million compared to $104.4 million for the 2008 period, an increase of $14.1 million, or 13.5%. The increases reflect increased capital expenditures and higher intangible amortization expense due to acquisitions.

Interest Expense

Interest expense was $26.6 million for the 2009 quarter compared to $17.9 million for the 2008 quarter, an increase of $8.7 million. Interest expense was $53.3 million for the 2009 period compared to $34.2 million for the 2008 period, an increase of $19.1 million. The increases primarily were due to higher interest rates and higher average outstanding debt. In the second quarter of 2008, we issued $500 million of 7.20% senior notes due June 15, 2018 and $250 million of 8.15% senior notes due June 15, 2038, the proceeds of which were used for the repayment of the outstanding balance under our credit agreement. The weighted average effective interest rate for all of our long-term debt was 6.24% and 4.29% for the three months ended June 30, 2009 and 2008, respectively, and 6.09% and 4.47% for the six months ended June 30, 2009 and 2008, respectively.

Income Taxes

Our effective tax rate during the 2009 quarter of 36.0% compared to the effective tax rate of 35.4% for the 2008 quarter. The effective tax rate for the 2009 period of 33.6% was lower than the 2008 period of 35.4%. The decrease in the 2009 period primarily was due to the reduction of the $16.8 million liability for unrecognized tax benefits in the first quarter of 2009 as a result of audit settlements.

Membership

The following table presents our medical and specialty membership at June 30, 2009, March 31, 2009, and at the end of each quarter in 2008:

	2009		2008			
	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Medical Membership:						
Government segment:						
Medicare Advantage	1,499,800	1,468,900	1,435,900	1,368,000	1,345,000	1,267,700
Medicare stand-alone PDP	1,992,000	2,078,900	3,066,600	3,089,000	3,105,200	3,150,200
Total Medicare	3,491,800	3,547,800	4,502,500	4,457,000	4,450,200	4,417,900
Military services	1,753,400	1,746,600	1,736,400	1,734,400	1,737,600	1,728,100
Military services ASO	1,254,900	1,244,000	1,228,300	1,219,500	1,206,200	1,193,000
Total military services	3,008,300	2,990,600	2,964,700	2,953,900	2,943,800	2,921,100
Medicaid	393,600	385,200	385,400	385,100	387,700	384,200
Medicaid ASO	—	—	85,700	177,300	173,800	175,400
Total Medicaid	393,600	385,200	471,100	562,400	561,500	559,600
Total Government	6,893,700	6,923,600	7,938,300	7,973,300	7,955,500	7,898,600
Commercial segment:						
Fully-insured	1,871,700	1,893,700	1,978,800	1,931,200	1,936,600	1,861,000
ASO	1,576,200	1,577,800	1,642,000	1,622,800	1,621,900	1,597,700
Total Commercial	3,447,900	3,471,500	3,620,800	3,554,000	3,558,500	3,458,700
Total medical members	10,341,600	10,395,100	11,559,100	11,527,300	11,514,000	11,357,300
Specialty Membership:						
Commercial segment [(a)]	6,790,400	6,743,700	6,817,000	6,727,400	6,744,400	6,916,200

(a) The Commercial segment provides a full range of insured specialty products including dental, vision, and other supplemental products. Members included in these products may not be unique to each product since members have the ability to enroll in multiple products.

Liquidity

Our primary sources of cash include receipts of premiums, ASO fees, and investment income, as well as proceeds from the sale or maturity of our investment securities and from borrowings. Our primary uses of cash include disbursements for claims payments, SG&A expenses, interest on borrowings, taxes, purchases of investment securities, acquisitions, capital expenditures, and repayments on borrowings. Because premiums generally are collected in advance of claim payments by a period of up to several months, our business normally should produce positive cash flows during periods of increasing premiums and enrollment. Conversely, cash flows would be negatively impacted during periods of decreasing premiums and enrollment. The use of operating cash flows may be limited by regulatory requirements which require, among other items, that our regulated subsidiaries maintain minimum levels of capital.

Cash and cash equivalents decreased to $1,585.1 million at June 30, 2009 from $1,970.4 million at December 31, 2008. The change in cash and cash equivalents for the six months ended June 30, 2009 and 2008 is summarized as follows:

	2009	2008
	(in thousands)	
Net cash provided by operating activities	$ 207,380	$ 108,462
Net cash used in investing activities	(445,077)	(441,810)
Net cash used in financing activities	(147,617)	(532,463)
Decrease in cash and cash equivalents	$ (385,314)	$(865,811)

Cash Flow from Operating Activities

The increase in operating cash flows for the 2009 period compared to the 2008 period primarily resulted from increased earnings associated with lower stand-alone PDP claims. Comparisons of our operating cash flows also are impacted by other changes in our working capital. The most significant drivers of changes in our working capital are typically the timing of receipts for premiums and ASO fees and payments of benefit expenses. We illustrate these changes with the following summaries of receivables and benefits payable.

The detail of total net receivables was as follows at June 30, 2009 and December 31, 2008:

	June 30, 2009	December 31, 2008	2009 Period Change	2008 Period Change
		(in thousands)		
Military services:				
Base receivable	$ 522,522	$ 436,009	$ 86,513	$117,579
Change orders	7,151	6,190	961	851
Military services subtotal	529,673	442,199	87,474	118,430
Medicare	630,489	232,608	397,881	237,140
Commercial and other	168,875	164,035	4,840	33,256
Allowance for doubtful accounts	(52,123)	(49,160)	(2,963)	5,351
Total net receivables	$1,276,914	$789,682	487,232	394,177
Reconciliation to cash flow statement:				
Receivables from acquisition			6,907	(10,792)
Change in receivables per cash flow statement			$494,139	$ 383,385

Medicare receivables increased $397.9 million from December 31, 2008 to June 30, 2009 compared to an increase of $237.1 million from December 31, 2007 to June 30, 2008. The increases are primarily due to the timing of Medicare receipts associated with the CMS risk-adjustment model, which are contractually scheduled for mid-year collection. In connection with the July 2009 CMS receipt, we collected $343 million associated with the CMS risk-adjustment model. This is consistent with the collection pattern in 2008.

The detail of benefits payable was as follows at June 30, 2009 and December 31, 2008:

	June 30, 2009	December 31, 2008	2009 Period Change	2008 Period Change
		(in thousands)		
IBNR (1)	$1,947,621	$ 1,851,047	$ 96,574	$ 172,810
Military services benefits payable (2)	343,386	306,797	36,589	69,434
Reported claims in process (3)	426,024	486,514	(60,490)	19,636
Other benefits payable (4)	694,166	561,221	132,945	146,978
Total benefits payable	$ 3,411,197	$3,205,579	$205,618	$ 408,858
Reconciliation to cash flow statement:				
Benefits payable from acquisition			—	(27,396)
Change in benefits payable per cash flow statement			$205,618	$ 381,462

(1) IBNR represents an estimate of benefits payable for claims incurred but not reported (IBNR) at the balance sheet date. The level of IBNR is primarily impacted by membership levels, medical claim trends and the receipt cycle time, which represents the length of time between when a claim is initially incurred and when the claim form is received (i.e. a shorter time span results in a lower IBNR).

(2) Military services benefits payable primarily results from the timing of the cost of providing health care services to beneficiaries and the payment to the provider. A corresponding receivable for reimbursement by the federal government is included in the base receivable in the previous receivables table.

(3) Reported claims in process represents the estimated valuation of processed claims that are in the post claim adjudication process, which consists of administrative functions such as audit and check batching and handling, as well as amounts owed to our pharmacy benefit administrator which fluctuate due to bi-weekly payments and the month-end cutoff.

(4) Other benefits payable include amounts owed to providers under capitated and risk sharing arrangements.

The increase in benefits payable from December 31, 2008 to June 30, 2009 primarily was due to an increase in amounts owed to providers under capitated and risk sharing arrangements as well as an increase in IBNR, both as a result of Medicare Advantage membership growth, partially offset by a decrease in the amount of processed but unpaid claims including pharmacy claims which fluctuate due to month-end cutoff.

Cash Flow from Investing Activities

We reinvested a portion of our operating cash flows in investment securities, primarily fixed income securities, totaling $483.8 million in the 2009 period and $600.4 million in the 2008 period. Our ongoing capital expenditures primarily relate to our information technology initiatives and administrative facilities necessary for activities such as claims processing, billing and collections, medical utilization review, and customer service. Total capital expenditures were $82.6 million in the 2009 period compared to $112.0 million in the 2008 period. We expect total capital expenditures for the full year 2009 of approximately $225 million compared to $262 million for the full year 2008.

Cash Flow from Financing Activities

Net borrowings under our credit agreement decreased $250.0 million in the 2009 period primarily from the repayment of amounts borrowed to fund the acquisition of Cariten.

In June 2008, we issued $500 million of 7.20% senior notes due June 15, 2018 and $250 million of 8.15% senior notes due June 15, 2038. Our net proceeds, reduced for the original issue discount and cost of the offering, were $742.6 million. We used the net proceeds from the offering for the repayment of the outstanding balance under our credit agreement.

Receipts from CMS associated with Medicare Part D claim subsidies for which we do not assume risk were $311.2 million higher than claims payments during the 2009 period and $109.6 million higher than claims payments during the 2008 period.

During the 2008 period, we repurchased approximately 1.9 million common shares for $82.5 million under the stock repurchase plan authorized by the Board of Directors that was then in effect. No repurchases of common shares were made during the 2009 period under the stock repurchase plan authorized by the Board of Directors in the third quarter of 2008.

The remainder of the cash used in or provided by financing activities in the 2009 and 2008 periods primarily resulted from the change in the securities lending payable, proceeds from stock option exercises, and the excess tax benefit from stock compensation.

Future Sources and Uses of Liquidity

Stock Repurchase Plan

In the third quarter of 2008, the Board of Directors authorized the repurchase of up to $250 million of our common shares exclusive of shares repurchased in connection with employee stock plans. The shares may be purchased from time to time at prevailing prices in the open market, by block purchases, or in privately-negotiated transactions, subject to certain restrictions on volume, pricing and timing. Due to volatility in the financial markets, we have not yet repurchased any shares under the third quarter 2008 authorization. The share repurchase program expires on December 31, 2009.

Senior Notes

We previously issued $500 million of 6.45% senior notes due June 1, 2016, $500 million of 7.20% senior notes due June 15, 2018, $300 million of 6.30% senior notes due August 1, 2018, and $250 million of 8.15% senior notes due June 15, 2038. The 7.20% and 8.15% senior notes are subject to an interest rate adjustment if the debt ratings assigned to the notes are downgraded (or subsequently upgraded) and contain a change of control provision that may require us to purchase the notes under certain circumstances. All four series of our senior notes, which are unsecured, may be redeemed at our option at any time at 100% of the principal amount plus accrued interest and a specified make-whole amount. Concurrent with the senior notes issuances, we entered into interest-rate swap agreements to exchange the fixed interest rate under these senior notes for a variable interest rate based on LIBOR. In the fall of 2008 we terminated all of our swap agreements. We may re-enter into swap agreements in the future depending on market conditions and other factors.

Credit Agreement

Our 5-year $1.0 billion unsecured revolving credit agreement expires in July 2011. Under the credit agreement, at our option, we can borrow on either a revolving credit basis or a competitive advance basis. The revolving credit portion bears interest at either a fixed rate or floating rate based on LIBOR plus a spread. The spread, currently 50 basis points, varies depending on our credit ratings ranging from 27 to 80 basis points. We also pay an annual facility fee regardless of utilization. This facility fee, currently 12.5 basis points, may fluctuate between 8 and 20 basis points, depending upon our credit ratings. In addition, a utilization fee of 10 basis points is payable for each day in which borrowings under the facility exceed 50% of the total $1.0 billion commitment. The competitive advance portion of any borrowings will bear interest at market rates prevailing at the time of borrowing on either a fixed rate or a floating rate based on LIBOR, at our option.

The terms of the credit agreement include standard provisions related to conditions of borrowing, including a customary material adverse event clause which could limit our ability to borrow additional funds. In addition, the credit agreement contains customary restrictive and financial covenants as well as customary events of default, including financial covenants regarding the maintenance of a minimum level of net worth and a maximum leverage ratio. We are in compliance with the financial covenants.

At June 30, 2009, we had no borrowings outstanding under the credit agreement. We have outstanding letters of credit of $3.5 million secured under the credit agreement. No amounts have been drawn on these letters of credit. Accordingly, as of June 30, 2009, we had $996.5 million of remaining borrowing capacity under the credit agreement, none of which would be restricted by our financial covenant compliance requirement. We have other customary, arms-length relationships, including financial advisory and banking, with some parties to the credit agreement.

Other Long-Term Borrowings

Other long-term borrowings of $37.8 million at June 30, 2009 represent junior subordinated debt assumed in the 2007 KMG acquisition of $36.1 million and financing for the renovation of a building of $1.7 million. The junior subordinated debt, which is due in 2037, may be called by us in 2012 and bears a fixed annual interest rate of 8.02% payable quarterly until 2012, and then payable at a floating rate based on LIBOR plus 310 basis points. The debt associated with the building renovation bears interest at 2.00%, is collateralized by the building, and is payable in various installments through 2014.

Liquidity Requirements

We believe our cash balances, investment securities, operating cash flows, and funds available under our credit agreement or from other public or private financing sources, taken together, provide adequate resources to fund ongoing operating and regulatory requirements, future expansion opportunities, and capital expenditures in the foreseeable future, and to refinance debt as it matures.

Adverse changes in our credit rating may increase the rate of interest we pay and may impact the amount of credit available to us in the future. Our investment-grade credit rating at June 30, 2009 was BBB according to Standard & Poor's Rating Services, or S&P, and Baa3 according to Moody's Investors Services, Inc., or Moody's. A downgrade by S&P to BB+ or by Moody's to Ba1 would trigger an interest rate increase of 25 basis points with respect to $750 million of our senior notes. Successive one notch downgrades would increase the interest rate an additional 25 basis points, or interest expense by $1.9 million, up to a maximum 100 basis points. On July 15, 2009, S&P downgraded us one notch to BBB- which did not result in an interest rate increase on our senior notes.

In addition, we operate as a holding company in a highly regulated industry. The parent company is dependent upon dividends and administrative expense reimbursements from our subsidiaries, most of which are subject to regulatory restrictions. We continue to maintain significant levels of aggregate excess statutory capital and surplus in our state-regulated operating subsidiaries. In the first half of 2009, our subsidiaries paid dividends of $774.1 million to the parent compared to $296.0 million for the full year 2008. In addition, the parent made capital contributions to our subsidiaries of $100.0 million during the first half of 2009. We expect capital contributions to our subsidiaries for the full year 2009 to be less than the $243 million contributed in 2008.

Regulatory Requirements

Certain of our subsidiaries operate in states that regulate the payment of dividends, loans, or other cash transfers to Humana Inc., the parent company, and require minimum levels of equity as well as limit investments to approved securities. The amount of dividends that may be paid to Humana Inc. by these subsidiaries, without prior approval by state regulatory authorities, is limited based on the entity's level of statutory income and statutory capital and surplus. In most states, prior notification is provided before paying a dividend even if approval is not required.

Although minimum required levels of equity are largely based on premium volume, product mix, and the quality of assets held, minimum requirements can vary significantly at the state level. Based on the most recently filed statutory financial statements as of March 31, 2009, we maintained aggregate statutory capital and surplus of $3.6 billion in our state regulated subsidiaries, $1.4 billion above the aggregate $2.2 billion in applicable statutory requirements which would trigger any regulatory action by the respective states.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Our earnings and financial position are exposed to financial market risk, including those resulting from changes in interest rates. Continued volatility in the financial markets has resulted in significant changes to interest rates in a short period of time.

The level of our pretax earnings is subject to market risk due to changes in interest rates and the resulting impact on investment income and interest expense. Until October 7, 2008, we exchanged the fixed interest rate under all of our senior notes for a variable interest rate based on LIBOR using interest rate swap agreements. As a result, changes in interest rates generally resulted in an increase or decrease to investment income partially offset by a corresponding decrease or increase to interest expense, partially hedging our exposure to interest rate risk. However, due to extreme volatility in the securities and credit markets, LIBOR increased while the interest rate we would earn on invested assets like cash and cash equivalents decreased. As a result, we terminated all of our interest rate swap agreements, fixing the interest rate under our senior notes at 6.08%. In exchange for terminating our rights under the interest rate swap agreements, we received $93.0 million in cash from the counterparties representing the fair value of the swap assets. We may re-enter into interest rate swap agreements in the future depending on market conditions and other factors.

Interest rate risk also represents a market risk factor affecting our consolidated financial position due to our significant investment portfolio, consisting primarily of fixed maturity securities of investment-grade quality with an average S&P credit rating of AA+ at June 30, 2009. As discussed in Note 4 to the condensed consolidated financial statements included in this report, during the six months ended June 30, 2009, we recognized net gains of $9.6 million, including $41.2 million of realized losses on investments. There were no material other-than-temporary impairments during the three and six months ended June 30, 2009. As of June 30, 2009, we had gross unrealized losses of $196.6 million on our investment portfolio. While we believe that these impairments are temporary and we currently do not have the intent to sell such securities, given the current market conditions and the significant judgments involved, there is a continuing risk that further declines in fair value may occur and additional material realized losses from sales or other-than-temporary impairments may be recorded in future periods.

Duration is the time-weighted average of the present value of the bond portfolio's cash flow. Duration is indicative of the relationship between changes in fair value and changes in interest rates, providing a general indication of the sensitivity of the fair values of our fixed maturity securities to changes in interest rates. However, actual fair values may differ significantly from estimates based on duration. The average duration of our investment portfolio, including cash and cash equivalents, was approximately 3.4 years as of June 30, 2009. Based on the duration including cash equivalents, a 1% increase in interest rates would generally decrease the fair value of our securities by approximately $246 million.

Item 4. Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer, or CEO, our Chief Financial Officer, or CFO, and our Principal Accounting Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures for the quarter ended June 30, 2009.

Based on our evaluation, our CEO, CFO and Principal Accounting Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information the Company is required to disclose in its reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including, without limitation, ensuring that such information is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1: Legal Proceedings

For a description of the litigation and legal proceedings pending against us, see "Legal Proceedings" in Note 13 to the condensed consolidated financial statements beginning on page 17 of this Form 10-Q.

Item 1A. Risk Factors

The following list summarizes the risk factors described more fully in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC on February 20, 2009, as supplemented by the information contained under the caption "Item 1A. Risk Factors" in our Quarterly Reports on Form 10-Q filed after the date of such Annual Report. The following information updates, and should be read in conjunction with, the Risk Factors and information disclosed in such Annual Report and subsequent Quarterly and Current Reports filed with the SEC:

- If we do not design and price our products properly and competitively, if the premiums we charge are insufficient to cover the cost of health care services delivered to our members, or if our estimates of benefits payable or future policy benefits payable based upon our estimates of future benefit claims are inadequate, our profitability could be materially adversely affected. We estimate the costs of our benefit expense payments, and design and price our products accordingly, using actuarial methods and assumptions based upon, among other relevant factors, claim payment patterns, medical cost inflation, and historical developments such as claim inventory levels and claim receipt patterns. These estimates, however, involve extensive judgment, and have considerable inherent variability that is extremely sensitive to payment patterns and changes in medical cost trends.
- If we fail to effectively implement our operational and strategic initiatives, including our Medicare initiatives, our business could be materially adversely affected.
- If we fail to properly maintain the integrity of our data, to strategically implement new information systems, or to protect our proprietary rights to our systems, our business could be materially adversely affected.
- We are involved in various legal actions, which, if resolved unfavorably to us, could result in substantial monetary damages. Increased litigation and negative publicity could increase our cost of doing business.
- As a government contractor, we are exposed to additional risks that could adversely affect our business or our willingness to participate in government health care programs.

  Reductions in payments under Medicare or the other programs under which we offer health plans could reduce our profitability. The Medicare Modernization Act of 2003, or MMA, permits premium levels for certain Medicare plans to be established through competitive bidding, with Congress retaining the ability to limit increases in premium levels established through bidding from year to year. On April 6, 2009, CMS released final 2010 Medicare Advantage payment rates which represent an effective rate decrease of 4 to 5 percent for the industry. Reduced Medicare Advantage rates will require us to increase member premiums, reduce the benefits that we offer under our Medicare Advantage plans, or some combination thereof, thereby making them potentially less attractive to members. Congress is considering other reductions to rates or other changes to the Medicare reimbursement system which could also have a material adverse effect on our results of operations, financial position, and cash flows.

  As previously disclosed, in July 2009, we were notified by the Department of Defense that we were not awarded the third generation TRICARE program contract for the South Region which had been subject to competing bids. In addition, on July 22, 2009, we filed a protest with the Government Accountability Office in connection with the award to another bidder but are not yet able to make a reasonable determination of the outcome of such protest. In our protest, we cited discrepancies between the award criteria and procedures prescribed in the

request for proposals issued by the DoD and those that appear to have been used by the DoD in making its contractor selection. Our existing contract currently covers benefits for healthcare services provided to beneficiaries through March 31, 2010. We are currently evaluating issues associated with our military services businesses such as potential impairment of certain assets primarily consisting of goodwill which had a carrying value of $50 million at June 30, 2009, potential exit costs, possible asset sales, and a strategic assessment of ancillary businesses. We cannot yet determine a reasonable estimate of the impact of such issues on our earnings. We are also evaluating how the complexities of the bid award protest may affect the timing and degree of any earnings impact from such factors.

- Our industry is currently subject to substantial government regulation, which, along with possible increased governmental regulation or legislative change, could increase our cost of doing business and could adversely affect our profitability.

  Although the new administration and U.S. Congress have expressed some support for proposals pending in the U.S. Congress intended to expand the number of people covered by health insurance and other changes within the health care system, the costs of implementing any of these proposals could be financed, in part, by reductions in the payments made under Medicare Advantage and other government programs. In addition, in February 2009, President Obama signed the American Recovery and Reinvestment Act that provides funding for, among other things: state Medicaid programs; the modernization of health information technology systems and aid to states to help defray budget cuts. Because of the unsettled nature of these initiatives and the numerous steps required to implement them we remain uncertain as to the ultimate impact they will have on our business.

- We are also subject to potential changes in the political environment that can affect public policy and can adversely affect the markets for our products.
- Any failure to manage administrative costs could hamper our profitability.
- Any failure by us to manage acquisitions and other significant transactions successfully could have a material adverse effect on our financial results, business and prospects.
- If we fail to develop and maintain satisfactory relationships with the providers of care to our members, our business could be adversely affected.
- Our mail-order pharmacy business is highly competitive and subjects us to regulations in addition to those we face with our core health benefits businesses.
- Our ability to obtain funds from our subsidiaries is restricted.
- Downgrades in our debt ratings, should they occur, may adversely affect our business, results of operations, and financial condition.
- Changes in economic conditions could adversely affect our business and results of operations.

  The U.S. economy continues to experience a period of recession and increased unemployment. We have closely monitored the impact that this volatile economy is having on our Commercial segment operations. Workforce reductions have caused corresponding membership losses in our fully-insured group business to be substantially higher than we previously expected. We have also experienced a decline in net investment income as a result of further decreases in interest rates and available investment yields. Therefore, continued weakness in the U.S. economy, and any resulting increases in unemployment or prolonged reduced interest rate levels, may adversely affect our Commercial medical membership, results of operations, financial position and cash flows.

- The securities and credit markets continue to experience extreme volatility and disruption, which could adversely affect our business.
- Given the current economic climate, our stock and the stocks of other companies in the insurance industry may be increasingly subject to stock price and trading volume volatility.

This list of important factors is not intended to be exhaustive, and should be read in conjunction with the more detailed description of these risks that may be found in this and other reports that we file with the SEC from time to time, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3: Defaults Upon Senior Securities

None.

Item 4: Submission of Matters to a Vote of Security Holders

(a) The annual meeting of the stockholders of Humana Inc. was held in Louisville, Kentucky on April 23, 2009, for the purpose of voting on the proposals described in (c) below.

(c) Two proposals were submitted to a vote of security holders as follows:

(1) The stockholders approved the election of the following persons as directors of the Company:

Name	For	Against	Abstain
David A. Jones, Jr.	142,771,823	6,999,450	270,791
Frank A. D'Amelio	136,151,803	13,540,786	349,475
W. Roy Dunbar	142,581,960	7,122,143	337,962
Kurt J. Hilzinger	142,639,688	7,064,021	338,355
Michael B. McCallister	143,305,136	6,471,290	265,637
William J. McDonald	142,597,445	7,085,698	358,921
William E. Mitchell	141,370,736	8,312,996	358,332
James J. O'Brien	143,290,746	6,392,415	358,904
Marissa T. Peterson	143,312,074	6,394,955	335,034
W. Ann Reynolds, Ph.D.	135,414,430	14,309,416	318,218

(2) The stockholders approved the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2009. This proposal received votes as follows:

For	Against	Abstain
147,765,140	2,153,863	123,060

Item 5: Other Information

None.

Item 6: Exhibits

3(i) Restated Certificate of Incorporation of Humana Inc. filed with the Secretary of State of Delaware on November 9, 1989, as restated to incorporate the amendment of January 9, 1992, and the correction of March 23, 1992 (incorporated herein by reference to Exhibit 4(i) to Humana Inc.'s Post-Effective Amendment No. 1 to the Registration Statement on Form S-8 (Reg. No. 33-49305) filed February 2, 1994).

3(ii) By-Laws of Humana Inc., as amended on January 4, 2007 (incorporated herein by reference to Exhibit 3 to Humana Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006).

10(a)* Form of Company's Stock Option Agreement and Agreement Not to Compete or Solicit under the Amended and Restated 2003 Stock Incentive Plan (Non-Qualified Options).

10(b)*	Form of Company's Stock Option Agreement under the 2003 Stock Incentive Plan (Incentive Stock Options).
10(c)*	Humana Inc. Amended and Restated 2003 Stock Incentive Plan, as amended and restated on June 25, 2009, effective as of January 1, 2010.
10(d)*	Humana Supplemental Executive Retirement and Savings Plan, as amended and restated on June 25, 2009.
10(e)*	Form of Company's Restricted Stock Agreement and Agreement Not to Compete or Solicit under the 2003 Stock Incentive Plan.
10(f)*	Form of Company's Combined Option and Restricted Stock Agreement and Agreement Not to Compete or Solicit under the 2003 Stock Incentive Plan.
12	Computation of ratio of earnings to fixed charges.
31.1	Principal Executive Officer certification pursuant to Section 302 of Sarbanes–Oxley Act of 2002.
31.2	Principal Financial Officer certification pursuant to Section 302 of Sarbanes–Oxley Act of 2002.
32	Principal Executive Officer and Principal Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Label Linkbase Document
101.PRE**	XBRL Taxonomy Presentation Linkbase Document

* Exhibits 10(a) through and including 10(f) are compensatory plans or management contracts.

** Submitted electronically with this report.

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at June 30, 2009 and December 31, 2008; (ii) the Condensed Consolidated Statements of Income for the three months ended June 30, 2009 and June 30, 2008, respectively, and for the six months ended June 30, 2009 and June 30, 2008, respectively; (iii) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and June 30, 2008, respectively; and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HUMANA INC.
(Registrant)

Date: August 3, 2009

By: /S/ JAMES H. BLOEM
James H. Bloem
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: August 3, 2009

By: /S/ STEVEN E. MCCULLEY
Steven E. McCulley
Vice President and Controller
(Principal Accounting Officer)

Exhibit 10(a)

HUMANA INC.
STOCK OPTION AGREEMENT
AND AGREEMENT NOT TO COMPETE OR SOLICIT
UNDER THE AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

THIS AGREEMENT (**"Agreement"**) made as of by and between **HUMANA INC.**, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter referred to as the **"Company"**), and , an employee of the Company (hereinafter referred to as **"Optionee"**).

WITNESSETH

WHEREAS, the Amended and Restated 2003 Stock Incentive Plan (the **"Plan"**), for certain employee and non-employee Directors of the Company and its subsidiaries was approved by the Company's Board of Directors (the **"Board"**) and stockholders; and

WHEREAS, the Company desires to grant to Optionee an option to purchase shares of common stock of the Company in accordance with the Plan.

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter set forth, and other good and valuable consideration, the Company and Optionee agree as follows:

I. OPTION GRANT

A. Grant of Option. The Company hereby grants to Optionee, as a matter of separate inducement and agreement and not in lieu of salary or other compensation for services, a Non-Qualified Stock Option to purchase shares of the $.16 2/3 par value common stock of the Company ("Common Stock") at the purchase price of $ per share (the "Option") exercisable on the terms and conditions set forth herein.

B. Term. The term of the Option shall commence upon the date of grant, , and shall expire on ("Expiration Date").

C. Vesting of Option. Except as otherwise set forth herein, this Option shall be exercisable by Optionee or his/her personal representative on and after the first anniversary of the date hereof in cumulative annual installments of one-third of the number of shares covered hereby.

D. Effect of Termination of Employment on Option.

1. If the employment of Optionee by the Company is terminated for Cause, all the rights of Optionee under this Agreement, whether or not exercisable, shall terminate immediately.

2. If the employment of Optionee is terminated for any reason other than for Cause, Retirement, death or Disability, unless otherwise specified herein, all the rights of Optionee under this Agreement then exercisable shall remain exercisable at any time within ninety (90) days after the date of such termination, but in no event beyond the Expiration Date.

3. In the event of Optionee's Retirement, (i) to the extent that this Option (or portion hereof) is exercisable as of the date of such Retirement, this Option (or portion hereof) shall be exercisable at any time within two (2) years after the date of Retirement, but in no event beyond the Expiration Date, and only to the extent the Option (or portion hereof) was exercisable at the date of Retirement, and (ii) to the extent that this Option (or portion hereof) is not exercisable as of the date of such Retirement, this Option (or portion hereof) shall continue to vest and become exercisable as if the Optionee were continuing to provide services to the Company or a Subsidiary, as applicable, and this Option (or portion hereof) shall be exercisable at any time within two (2) years following the date on which this Option (or portion hereof) becomes vested and exercisable.

4. In the event of death or Disability of Optionee while in the employ of the Company, this Option shall become immediately exercisable and shall remain exercisable by Optionee or the person or the persons to whom those rights pass by will or by the laws of descent and distribution or, if appropriate, by the legal representative of the Optionee or the estate of the Optionee at any time within two (2) years after the date of such death or Disability, regardless of the Expiration Date.

5. In the event of a Change in Control, as defined in the Plan, the Option granted in Section I shall become fully vested and immediately exercisable in its entirety. In addition, Optionee will be permitted to surrender for cancellation within sixty (60) days after a Change in Control, any portion of this Option to the extent not yet exercised and Optionee will be entitled to receive a payment in an amount equal to the excess, if any, of (x) the greater of (1) the Fair Market Value on the date of surrender of the Shares subject to this Option or portion thereof surrendered, or (2) the Fair Market Value, as Adjusted, of the Shares subject to this Option or portion thereof surrendered, over (y) the aggregate purchase price for such Shares under this Option or portion thereof surrendered. The form of payment shall be determined by the Committee. In the event Optionee's employment with the Company is terminated other than for Cause within three (3) years following a Change in Control, each Option held by the Optionee that was exercisable as of the date of termination of the Optionee's employment or service shall remain exercisable for a period ending the earlier of the second anniversary of the termination of the Optionee's employment or the expiration of the stated term of the Option.

E. Exercise of Option.

1. This Option shall be exercisable only by written notice to the Secretary of the Company at the Company's principal executive offices, or through the on-line procedure to such broker-dealer as designated by the Company, by Optionee or his/her legal representative as herein provided. Such notice shall state the number of shares to be exercised and shall be signed, or authorized electronically, by Optionee or his/her legal representative, as applicable.

2. The purchase price shall be paid as follows:

a) In full in cash upon the exercise of the Option; or

b) By tendering to the Company shares of the Common Stock of Company owned by him/her prior to the date of exercise and having an aggregate fair market value equal to the cash exercise price applicable to his/her Option

c) A combination of I.E.(2)(a) and I.E.(2)(b) above; or

d) Through the cashless exercise provisions of the designated broker-dealer as described in the procedures communicated to the Grantee by the Company.

3. Federal, state and local income taxes and other amounts as may be required by law to be collected by the Company in connection with the exercise of this Option shall be paid pursuant to the Plan by Optionee prior to the delivery of any Common Stock under this Agreement.

II. AGREEMENT NOT TO COMPETE AND AGREEMENT NOT TO SOLICIT

A. Agreement Not To Compete. Optionee hereby covenants and agrees that for a period commencing on the date hereof and ending twelve (12) months after the effective date of Optionee's termination of employment with the Company, Optionee, directly or indirectly, personally, or as an employee, officer, director, partner, member, owner, material shareholder, investor or principal of, or consultant or independent contractor with, another entity, shall not:

Participate in any business which competes with the Company, including, without limitation, health maintenance organizations, insurance companies or prepaid health plan businesses, in which the Company has been actively engaged during any part of the two (2) year period immediately preceding the Optionee's employment termination date ("Company Business"), in any of the markets in which the Company is then currently doing business.

B. Agreement Not To Solicit. Optionee hereby covenants and agrees that for a period commencing on the date hereof and ending twelve (12) months after the effective date of Optionee's termination of employment with the Company, Optionee, directly or indirectly, personally, or as an employee, officer, director, partner, member, owner, material shareholder, investor or principal of, or consultant or independent contractor with, another entity, shall not:

1. Interfere with the relationship of the Company and any of its employees, agents, representatives, consultants or advisors.

2. Divert, or attempt to cause the diversion from the Company, any Company Business, nor interfere with relationships of the Company with its policyholders, agents, brokers, dealers, distributors, marketers, sources of supply or customers.

3. Solicit, recruit or otherwise induce or influence any employee of the Company to accept employment in any business which competes with the Company Business, in any of the markets in which the Company is then currently doing business.

C. Effect of Termination of Employment on Agreements Not to Compete and Not to Solicit .

1. In the event Optionee voluntarily resigns or is discharged by Company with Cause at any time prior to the vesting of the Option, the prohibitions on Optionee set forth in Sections II.A and II.B shall remain in full force and effect.

2. In the event Optionee is discharged by Company other than with Cause prior to the vesting herein of the Option, the prohibitions set forth in Section II.A shall remain in full force and effect only if the Company, solely at its option, pays to Optionee an amount at least equal to Optionee's then current annual base salary, whether such amount is paid pursuant to this provision or pursuant to any other severance or separation plan or other plan or agreement between Optionee and Company.

3. In the event Optionee is discharged by Company other than with Cause prior to vesting herein of the Option, the prohibitions set forth in Section II.B above shall remain in full force and effect.

4. After the vesting of the Option, the prohibitions on Optionee set forth herein shall remain in full force and effect, except as otherwise provided in Section II.D.

D. Effect Of Change In Control on Agreements Not to Compete and Not to Solicit .

1. In the event of a Change in Control, the prohibitions on Optionee set forth in Section II.A shall remain in full force and effect only if the acquirer or successor to the Company following the Change in Control shall, solely at its option, pay, within thirty (30) days following Optionee's employment termination date with the Company or its successor, to the Optionee an amount at least equal to Optionee's then current annual base salary, plus Optionee's maximum potential bonus pursuant to any bonus plan in which Optionee participated as of the date of the Change in Control. Such sums shall be in addition to any other amounts paid or payable to Optionee with respect to other change in control agreements.

2. In the event of a Change in Control, the prohibitions on Optionee set forth in Section II.B. shall remain in full force and effect.

E. Governing Law. Notwithstanding any other provision herein to the contrary, the provisions of this Section II of the Agreement, shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to its conflicts or choice of laws rules or principles that might otherwise refer construction or interpretation of this Section II to the substantive law of another jurisdiction.

F. Injunctive Relief; Invalidity of Any Provision. Optionee acknowledges that (1) his or her services to the Company are of a special, unique and extraordinary character, (2) his or her position with the Company will place him or her in a position of confidence and trust with respect to the operations of the Company, (3) he or she will benefit from continued employment with the Company, (4) the nature and periods of restrictions imposed by the covenants contained in this Section II hereof are fair, reasonable and necessary to protect the Company, (5) the Company would sustain immediate and irreparable loss and damage if Optionee were to breach any of such covenants, and (6) the Company's remedy at law for such a breach will be inadequate. Accordingly, Optionee agrees and consents that the Company, in addition to the recovery of damages and all other remedies available to it, at law or in equity, shall be entitled to seek both preliminary and permanent injunctions to prevent and/or halt a breach or threatened breach by Optionee of any covenant contained in Section II hereof. If any provision of this Section II is determined by a court of competent jurisdiction to be invalid in whole or in part, it shall be deemed to have been amended, whether as to time, area covered or otherwise, as and to the extent required for its validity under applicable law, and as so amended, shall be enforceable. The parties further agree to execute all documents necessary to evidence such amendment.

III. MISCELLANEOUS PROVISIONS

A. Binding Effect & Adjustment. This Agreement shall be binding and conclusive upon each successor and assign of the Company. Optionee's obligations hereunder shall not be assignable to any other person or entity. It is the intent of the parties to this Agreement that the benefits of any appreciation of the underlying Common Stock during the term of the Award shall be preserved in any event, including but not limited to a recapitalization, merger, consolidation, reorganization, stock dividend, stock split, reverse stock split, spin-off or similar transaction, or other change in corporate structure affecting the Shares, as more fully described in Section 4.6 of the Plan. All obligations imposed upon Optionee and all rights granted to Optionee and to the Company shall be binding upon Optionee's heirs and legal representatives.

B. Amendment. This Agreement may only be amended by a writing executed by each of the parties hereto.

C. Governing Law. Except as to matters of federal law and as otherwise provided herein, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware without regard to its conflict of laws rules.

D. Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties in the courts of the Commonwealth of Kentucky, County of Jefferson, or, if it has or can acquire jurisdiction, in the United States District Court for the Western District of Kentucky, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

E. No Employment Agreement. Nothing herein confers on the Optionee any rights with respect to the continuance of employment or other service with the Company, nor will it interfere with any right the Company would otherwise have to terminate or modify the terms of Optionee's employment or other service at any time.

F. Severability. If any provision of this Agreement is or becomes or is deemed invalid, illegal or unenforceable in any relevant jurisdiction, or would disqualify this Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Agreement shall remain in full force and effect.

G. Assignment. The Option granted under this Agreement to Optionee may not be assigned, transferred, pledged, alienated or hypothecated in any manner during Optionee's lifetime, but shall be solely and exclusively the right of Optionee to exercise during his/her lifetime. Should Optionee attempt to assign, transfer, pledge, alienate or hypothecate this Option or any rights hereunder in any manner whatsoever, such action shall constitute a breach of the covenants hereunder and Company may terminate this Option as to any then unexercised shares.

H. Defined Terms. Any term used herein and not otherwise defined herein shall have the same meaning as in the Plan. Any conflict between this Agreement and the Plan will be resolved in favor of the Plan. Any disputes or questions of right or obligation which shall result from or relate to any interpretation of this Agreement shall be determined by the Committee. Any such determination shall be binding and conclusive upon Optionee and any person or persons claiming through Optionee as to any rights hereunder.

I. Execution. If Grantee shall fail to execute this Agreement, either manually with a paper document, or through the on-line grant agreement procedure with the Company's designated broker–dealer, and, if manually executed, return the executed original to the Secretary of the Company, the Award shall be null and void. The choice of form will be at the Company's discretion.

IN WITNESS WHEREOF, Company has caused this Agreement to be executed on its behalf by its duly authorized officer, and Optionee has executed this Agreement, each as of the day first above written.

ATTEST:

BY: _____
[Name]
[Title]

"Company"
HUMANA INC.

BY: _____
[Name]
[Title]

"Optionee"

_____
[Name]

Exhibit 10(b)

HUMANA INC.
INCENTIVE STOCK OPTION AGREEMENT
UNDER THE AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

THIS STOCK OPTION AGREEMENT (**"Agreement"**) made as of by and between **HUMANA INC.**, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter referred to as the **"Company"**), and , an employee of the Company (hereinafter referred to as **"Optionee"**).

WITNESSETH:

WHEREAS, the Amended and Restated 2003 Stock Incentive Plan (the **"Plan"**), for certain employees and non-employee Directors of the Company and its subsidiaries was approved by the Company's Board of Directors (the **"Board"**) and stockholders; and

WHEREAS, the Company desires to grant to Optionee an option to purchase shares of common stock of the Company in accordance with the Plan.

NOW, THEREFORE, in consideration of the premises, mutual covenants hereinafter set forth, and other good and valuable consideration, the Company and Optionee agree as follows:

1. The Company hereby grants to Optionee, as a matter of separate inducement and agreement and not in lieu of salary or other compensation for services, an Incentive Stock Option to purchase shares of the $.16 2/3 par value common stock of the Company ("Common Stock") at the purchase price of $ per share (the "Option") exercisable on the terms and conditions set forth herein.

2. The term of the Option shall commence upon the date of grant, , and shall expire on ("Expiration Date").

3. Except as otherwise set forth herein, this Option shall be exercisable in full by Optionee or his/her personal representative on and after the first anniversary of the date hereof in cumulative annual installments of one-third of the number of shares covered hereby.

4. A. If the employment of Optionee by the Company is terminated for Cause, all the rights of Optionee under this Agreement, whether or not exercisable, shall terminate immediately.

B. If the employment of Optionee is terminated for any reason other than for Cause, Retirement, death or Disability, unless otherwise specified herein, all the rights of Optionee under this Agreement then exercisable shall remain exercisable at any time within ninety (90) days after the date of such termination, but in no event beyond the Expiration Date.

C. In the event of Optionee's Retirement, (i) to the extent that this Option (or portion hereof) is exercisable as of the date of such Retirement, this Option (or portion hereof) shall be exercisable at any time within two (2) years after the date of Retirement, but in no event beyond the Expiration Date, and only to the extent the Option (or portion hereof) was exercisable at the date of Retirement, and (ii) to the extent that this Option (or portion hereof) is not exercisable as of

the date of such Retirement, this Option (or portion hereof) shall continue to vest and become exercisable as if the Optionee were continuing to provide services to the Company or a Subsidiary, as applicable, and this Option (or portion hereof) shall be exercisable at any time within two (2) years following the date on which this Option (or portion hereof) becomes vested and exercisable.

D. In the event of death or Disability of Optionee while in the employ of the Company, this Option shall become immediately exercisable and shall remain exercisable by Optionee or the person or the persons to whom those rights pass by will or by the laws of descent and distribution or, if appropriate, by the legal representative of the Optionee or the estate of the Optionee at any time within two (2) years after the date of such death or Disability.

5. A. This Option shall be exercisable only by written notice to the Secretary of the Company at the Company's principal executive offices by Optionee or his/her legal representative as herein provided. Such notice shall state the number of shares to be exercised and shall be signed by Optionee or his/her legal representative, as applicable.

B. The purchase price shall be paid as follows:

i) In full in cash upon the exercise of the Option; or

ii) By tendering to the Company shares of the Common Stock of Company owned by him/her prior to the date of exercise and having an aggregate fair market value equal to the cash exercise price applicable to his/her Option; or

iii) A combination of 5(B)(i) and 5(B)(ii) above.

C. Federal, state and local income taxes and other amounts as may be required by law to be collected by the Company in connection with the exercise of this Option shall be paid pursuant to the Plan by Optionee prior to the delivery of any Common Stock under this Agreement.

6. The Option granted under this Agreement to Optionee may not be assigned, transferred, pledged, alienated or hypothecated in any manner during Optionee's lifetime, but shall be solely and exclusively the right of Optionee to exercise during his/her lifetime. Should Optionee attempt to assign, transfer, pledge, alienate or hypothecate this Option or any rights hereunder in any manner whatsoever, such action shall constitute a breach of the covenants hereunder and Company may terminate this Option as to any then unexercised shares.

7. In the event of a Change in Control, as defined in the Plan, this Option shall become fully vested and immediately exercisable in its entirety. In addition, Optionee will be permitted to surrender for cancellation within sixty (60) days after a Change in Control, any portion of this Option to the extent not yet exercised and Optionee will be entitled to receive a payment in an amount equal to the excess, if any, of (x) the greater of (1) the Fair Market Value on the date of surrender of the Shares subject to this Option or portion thereof surrendered, or (2) the Fair Market Value, as Adjusted, of the Shares subject to this Option or portion thereof surrendered, over (y) the aggregate purchase price for such Shares under this Option or portion thereof surrendered. The form of payment shall be determined by the Committee.

In the event Optionee's employment with the Company is terminated other than for Cause within three (3) years following a Change in Control, each Option held by the Optionee that was exercisable as of the date of termination of the Optionee's employment or service shall remain exercisable for a period ending the earlier of the second anniversary of the termination of the Optionee's employment or the expiration of the stated term of the Option.

8. This Agreement shall be binding and conclusive upon each successor and assign of the Company. This Agreement may be amended only by a writing signed by each of the parties hereto. It is the intent of the parties to this Agreement that the benefits of any appreciation of the underlying Common Stock during the term of the Option shall be preserved in any event, including but not limited to a recapitalization, merger, consolidation, reorganization, stock dividend, stock split, reverse stock split, spin-off or similar transaction, or other change in corporate structure affecting the Shares, as more fully described in Section 4.6 of the Plan. All obligations imposed upon Optionee and all rights granted to Optionee and to the Company shall be binding upon Optionee's heirs and legal representatives.

9. Except as to matters of federal law, this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof.

10. If any provision of this Agreement is or becomes or is deemed invalid, illegal or unenforceable in any relevant jurisdiction, or would disqualify the Optionee under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Agreement shall remain in full force and effect. Any provision in this Agreement determined by competent authority to be in conflict with 422 of the Internal Revenue Code of 1986, as amended, or its successor, in regard to qualifying this Option as an incentive stock option shall be ineffective ab initio to the extent of such conflict.

11. Any term used herein and not otherwise defined herein shall have the same meaning as in the Plan. Any conflict between this Agreement and the Plan will be resolved in favor of the Plan. Any disputes or questions of right or obligation which shall result from or relate to any interpretation of this Agreement shall be determined by the Committee. Any such determination shall be binding and conclusive upon Optionee, his/her assigns, and any person or persons claiming through Optionee as to any rights hereunder.

IN WITNESS WHEREOF, Company has caused this Agreement to be executed on its behalf by its duly authorized officer, and Optionee has executed this Agreement, each as of the day first above written.

"Company"
ATTEST: **HUMANA INC.**

BY: _____ _____
[Name] **[Name]**
[Title] **[Title]**

"Optionee"

_____
[Name]

HUMANA INC.

AMENDED AND RESTATED
2003 STOCK INCENTIVE PLAN

(As Amended Through June 25, 2009)

SECTION 1.1 PURPOSE. The purpose of the Humana Inc. 2003 Stock Incentive Plan (the "Plan") is to strengthen Humana Inc., a Delaware corporation (the "Company"), by providing an incentive to its and its Subsidiaries' employees, officers, consultants and directors and thereby encouraging them to devote their abilities to the success of the Company and its Subsidiaries, thus enhancing the value of the Company for the benefit of its stockholders. It is also intended to enhance the ability of the Company and its Subsidiaries to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depend.

SECTION 1.2 ESTABLISHMENT AND TERM OF THE PLAN. The Company establishes the Plan effective as of May 15, 2003, the Plan having been approved by the Company's stockholders on that date. The Plan shall remain in effect until the earliest of: (i) the date that no additional Shares are available for issuance under the Plan, (ii) the date that the Plan has been terminated in accordance with Section 13 or (iii) the day preceding the tenth anniversary of the date of its adoption. Upon the termination or expiration of the Plan as provided in this Section 1.2, no Award shall be granted pursuant to the Plan, but any Award granted prior thereto may extend beyond such termination or expiration.

SECTION 2. DEFINITIONS. As used in the Plan, the following terms shall have the meanings set forth below:

2.1 "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit, Performance Share, Performance Unit, or Share Award.

2.2 "Award Agreement" or "Agreement" shall mean any written or electronic agreement, contract, or other instrument or document evidencing any Award granted by the Committee hereunder and signed or otherwise authenticated by both the Company and the Participant.

2.3 "Board" shall mean the Board of Directors of the Company.

2.4 "Cause" shall mean, unless otherwise defined in the Award Agreement or a written employment agreement in effect between the Company or any of its Subsidiaries and an individual Participant, a felony conviction of a Participant or the failure of a Participant to contest prosecution for a felony, or a Participant's willful misconduct or dishonesty, any of which is determined by the Committee to be directly and materially harmful to the business or reputation of the Company or its Subsidiaries.

2.5 "Change in Control" shall mean the occurrence of:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary") (ii) the Company or its Subsidiaries, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(b) The individuals who, as of the effective date of this Plan are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Proxy Contest; or

(c) The consummation of:

(i) A merger, consolidation or reorganization involving the Company, unless such merger, consolidation or reorganization is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a merger, consolidation or reorganization of the Company where:

(A) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger,

consolidation or reorganization, at least seventy-five percent (75%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation, or a corporation beneficially directly or indirectly owning a majority of the Voting Securities of the Surviving Corporation, and no agreement, plan or arrangement is in place to change the composition of the board of directors following the merger, consolidation or reorganization; and

(C) no Person other than (i) the Company, (ii) any Subsidiary, (iii) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation, or any Subsidiary, or (iv) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities, has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities.

(ii) A complete liquidation or dissolution of the Company; or

(iii) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities then outstanding, increases the proportional number of Shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

2.6 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

2.7 "Committee" shall mean the Organization & Compensation Committee of the Board (or any successor committee); provided, however, that (i) with respect to Awards to any Eligible Individual subject to Section 16 of the Exchange Act, Committee means all of the members of the Organization & Compensation Committee who are "non-employee directors" within the meaning of Rule 16b-3 adopted under the Exchange Act, (ii) with respect to Awards intended to satisfy the requirements for "performance based compensation" within the meaning of Section 162(m) of the Code, the regulations promulgated thereunder, and any successors thereto, Committee means all of the members of the Organization & Compensation Committee who are "outside directors" within the meaning of Section 162(m) of the Code, and (iii) with respect to all Awards, the Committee shall be composed of "independent" directors as required under the New York Stock Exchange listing requirements.

2.8 "Company" shall mean Humana Inc. and any successor thereto.

2.9 "Disability" means disability as determined by the Committee in accordance with standards and procedures similar to those under the Company's long term disability plan.

2.10 "Eligible Individual" means any Employee or any director or consultant of the Company or any of its Subsidiaries.

2.11 "Employee" shall mean any employee of the Company or of any of its Subsidiaries. Unless otherwise determined by the Committee in its sole discretion, for purposes of the Plan, an Employee shall be considered to have terminated employment and to have ceased to be an Employee if his or her employer ceases to be a Subsidiary of the Company, even if he or she continues to be employed by such employer.

2.12 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

2.13 "Fair Market Value" shall mean, (i) with respect to Shares, the average of the highest and lowest reported sales prices, regular way, of Shares in transactions reported on the New York Stock Exchange on the date of determination of Fair Market Value, or if no sales of Shares are reported on the New York Stock Exchange for that date, the comparable average sales price for the last previous day for which sales were reported on the New York Stock Exchange or the value of a Share for such date as established by the Committee using any other reasonable method of valuation, and (ii) with respect to any other property, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

2.14 "Fair Market Value as Adjusted" means, in the event of a Change in Control, the greater of (a) the highest price per Share paid to holders of the Shares in any transaction (or series of transactions) constituting or resulting in a Change in Control or (b) the highest Fair Market Value of a Share during the ninety (90) day period ending on the date of a Change in Control.

2.15 "Incentive Stock Option" shall mean an Option granted under Section 6 hereof that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto and designated by the Committee as an Incentive Stock Option.

2.16 "Nonqualified Stock Option" shall mean an Option granted under Section 6 hereof that is not intended to be an Incentive Stock Option.

2.17 "Option" shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

2.18 "Parent" shall mean any corporation which is a parent corporation within the meaning of Section 424(e) of the Code with respect to the Company.

2.19 "Participant" shall mean an Eligible Individual who is selected by the Committee to receive an Award under the Plan.

2.20 "Performance Award" shall mean any Award of Performance Shares or Performance Units pursuant to Section 9 hereof.

2.21 "Performance-Based Compensation" means an Award that is intended to constitute "performance based compensation" within the meaning of Section 162(m)(4)(C) of the Code and the regulations promulgated thereunder.

2.22 "Performance Objectives" shall have the meaning set forth in Section 9.3(a).

2.23 "Performance Period" shall mean that period, established by the Committee during which any performance goals specified by the Committee with respect to such Award are to be measured.

2.24 "Performance Share" shall mean any Shares issued or transferred to a Participant under Section 9.2.

2.25 "Performance Unit" shall mean Performance Units granted to a Participant under Section 9.1.

2.26 "Plan" shall mean the Humana Inc. 2003 Stock Incentive Plan, as the same may be amended from time to time.

2.27 "Restricted Stock" shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge, or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including, without limitation, any forfeiture provisions and any restriction on the right to vote such Share, and the right to receive any cash dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

2.28 "Restricted Stock Award" shall mean an award of Restricted Stock under Section 8 hereof.

2.29 "Restricted Stock Units" means rights granted to an Eligible Individual under Section 8 representing a hypothetical number of Shares.

2.30 "Retirement" shall mean a Participant's retirement from the Company or a Subsidiary, as applicable on or after the first day of the month coincident with or following the date on which all of the following shall have occurred:

(a) the Participant has completed five years of retirement service;

(b) the Participant has reached at least age 55; and

(c) the Participant's age plus years of retirement service equals or exceeds 65.

A Participant's "years of retirement service" shall be determined as provided for in the Humana Retirement and Savings Plan, as may be amended from time to time.

2.31 "Section 16" shall mean Section 16 of the Exchange Act and the rules promulgated thereunder and any successor provision thereto as in effect from time to time.

2.32 "Share Award" means an Award of Shares granted pursuant to Section 10.

2.33 "Shares" shall mean the shares of common stock, $.16 2/3 par value, of the Company and such other securities of the Company into which such Shares are changed or for which such shares are exchanged.

2.34 "Stock Appreciation Right" shall mean any right granted to a Participant pursuant to Section 7 hereof to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, at any time during a specified period before the date of exercise over (ii) the grant price of the right on the date of grant, or if granted in connection with an outstanding Option on the date of grant of the related Option, as specified by the Committee in its sole discretion, which, other than in the case of Substitute Awards, shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be. Any

payment by the Company in respect of such right may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

2.35 "Subsidiary" shall mean (i) a "subsidiary corporation" of the Company as defined in Section 424(f) of the Code, or (ii) other than for purposes of determining who is an Employee that is eligible for an Award of Incentive Stock Option, any other entity in which the Company directly or indirectly owns 50% or more of the voting interests.

2.36 "Substitute Award" shall have the meaning set forth in Section 4.3.

2.37 "Ten-Percent Stockholder" means an Eligible Individual, who, at the time an Incentive Stock Option is to be granted to him or her, owns (within the meaning of Section 422 or the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or of a Parent or a Subsidiary.

SECTION 3. ADMINISTRATION.

3.1 Authority of Committee. The Plan shall be administered by the Committee. The Committee shall have full power and authority, subject to such resolutions not inconsistent with the provisions of the Plan, as may from time to time be adopted by the Board, to: (i) select those Eligible Individuals to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Awards to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (v) accelerate the exercisability of, and accelerate or waive any restrictions and conditions applicable to an Award; (vi) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property or canceled or suspended; (vii) determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant; (viii) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (ix) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (x) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan; and (xi) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable. Notwithstanding anything in this Section 3.1 to the contrary, the Committee shall not have the authority to reduce the exercise price for Options and Stock Appreciation Rights other than in connection with adjustments as provided in Section 4.

3.2 Decisions Binding. Decisions of the Committee shall be final, conclusive and binding upon all persons, including the Company and its Subsidiaries, any Participant, and any Eligible Individual.

3.3 Delegation. Subject to all applicable laws and the terms of the Plan, the Committee may delegate, in whole or in part and as limited by the Committee, its authority as identified herein to any individual or committee of individuals (who need not be directors of the Board), including without limitation the authority to make Awards to Eligible Individuals who are not officers or directors of the Company, or any of its Subsidiaries who are subject to Section 16 of the Exchange Act. To the extent that the Committee delegates its authority to make Awards as provided by this Section, all references in the Plan to the Committee's authority to make Awards and determinations with respect thereto shall be deemed to include the Committee's delegate.

3.4 The terms and conditions of Awards need not be the same with respect to each recipient. The Committee shall have full and final authority to select those Eligible Individuals who will receive Awards, which shall be evidenced by an Award Agreement between the Company and the Participant.

SECTION 4. SHARES SUBJECT TO THE PLAN.

4.1 Number of Shares Available for Grants. Subject to adjustment as provided in Section 4.6, the aggregate number of Shares that may be granted to Participants pursuant to Awards under the Plan shall not exceed nineteen million (19,000,000) Shares. Any Shares granted as Options or Stock Appreciation Rights shall be counted against this number as one (1) Share for every one (1) Share granted. Any Shares granted as Awards other than Options or Stock Appreciation Rights shall be counted against this number as one and seven-tenths (1.7) Shares for every one (1) Share granted.

4.2 Lapsed Awards. If any Award is canceled, terminates, expires, or lapses for any reason, any Shares subject to such Award shall not count against the aggregate number of Shares that may be granted under the Plan set forth in Section 4.1 above and may again be the subject of Awards hereunder. Any shares that again become subject to Awards pursuant to this Section 4.2 shall be added back as one (1) Share if such Shares were subject to Options or Stock Appreciation Rights and as one and seven-tenths (1.7) Shares if such Shares were subject to Awards other than Options and Stock Appreciation Rights. If the exercise of a Stock Appreciation Right involves the issuance of fewer Shares than were subject to the Stock Appreciation Right, then Shares not issued may not again become subject to Awards under the Plan.

4.3 Other Items Not Included. The following items shall not count against the aggregate number of Shares that may be issued under the Plan set forth in Section 4.1 above: (i) the payment in cash of dividends or dividend equivalents under any outstanding Award; (ii) any Award that is settled in cash rather than by issuance

of Shares; or (iii) Awards granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who become Employees as a result of a merger, consolidation, acquisition or other corporate transaction

4.4 Award Limits. Notwithstanding any provision herein to the contrary, the following provisions shall apply (subject to adjustment as provided in Section 4.6 below):

(i) in no event shall a Participant receive an Award or Awards (other than Performance Units denominated in dollars) during the term of the Plan in the aggregate in respect of more than twenty percent (20%) of the Shares (whether such Award or Awards may be settled in Shares, cash or any combination of Shares and cash) authorized under the Plan, and the maximum dollar amount of Performance Units denominated in dollars which may be paid in any calendar year shall not exceed $3 million in the case of the chief executive officer of the Company or $1.5 million in the case of any other Participant.

(ii) in no event shall more than fifty percent (50%) of the Shares authorized under the Plan be issued upon the exercise of Incentive Stock Options granted under the Plan.

4.5 Source of Shares. The Company shall reserve for purposes of the Plan unissued Shares or out of Shares held in the Company's treasury, or partly out of each, such number of Shares as shall be determined by the Board.

4.6 Adjustments. In the event of any merger, reorganization, consolidation, reclassification, recapitalization, stock dividend, stock split, reverse stock split, spin-off, split-up, issuance of warrants, rights or debentures, cash dividend, property dividend, combination or exchange of shares, repurchase of shares or similar transaction or other change in corporate structure affecting the Shares, the Committee shall conclusively determine the appropriate adjustments, if any, to (i) the maximum number and classes of Shares or other stock or securities with respect to which Options or other Awards may be granted under the Plan, and (ii) the number and class of Shares or other stock or securities which are subject to outstanding Options or other Awards granted under the Plan and the purchase price therefore, if applicable. Any such adjustment in the Shares or other stock or securities subject to outstanding Incentive Stock Options (including any adjustments in the purchase price) shall be made in such a manner as not to constitute a modification as defined by Section 424 of the Code and only to the extent otherwise permitted by Sections 422 and 424 of the Code.

SECTION 5. ELIGIBILITY. Any Eligible Individual shall be eligible to be selected as a Participant; provided, however, that only Employees may be granted Awards of Incentive Stock Options.

SECTION 6. STOCK OPTIONS. Options may be granted hereunder to Participants, either alone or in addition to other Awards granted under the Plan, the terms and conditions of which shall be set forth in an Award Agreement. Any such Option shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

6.1 Option Price. The exercise price per Share under an Option shall be determined by the Committee in its sole discretion; provided that, except in the case of an Option pursuant to a Substitute Award, such purchase price shall not be less than the Fair Market Value of a Share on the date of the grant of the Option (110% of the Fair Market Value in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder).

6.2 Option Period. The term of each Option shall be fixed by the Committee in its sole discretion; provided that no Option shall be exercisable after the expiration of ten (10) years (five (5) years in the case of an Incentive Stock Option issued to a Ten-Percent Stockholder) from the date the Option is granted except as provided under Section 12.1.

6.3 Exercisability. Options shall be exercisable at such time or times as determined by the Committee and set forth in the Award Agreement; provided, however, that the Committee may accelerate the time or times at which an Option shall be exercisable in its sole discretion.

6.4 Method of Exercise. The exercise of an Option shall be made only by a written notice delivered in person or by mail to the Secretary of the Company at the Company's principal executive offices, specifying the number of Shares to be purchased and accompanied by payment therefor and otherwise in accordance with the Award Agreement pursuant to which the Option was granted. The purchase price for any Shares purchased pursuant to the exercise of an Option shall be paid, as determined by the Committee in its discretion, in either (or any combination thereof): (i) cash, or (ii) the transfer of Shares previously owned by the Participant, for a time period determined by the Committee, to the Company upon such terms and conditions as determined by the Committee. Any Shares transferred to the Company as payment of the purchase price under an Option shall be valued at their Fair Market Value on the date of exercise of such Option. In addition, Options may be exercised through a registered broker-dealer pursuant to such cashless exercise procedures (other than Share withholding) which are, from time to time, deemed acceptable by the Committee. No fractional Shares (or cash in lieu thereof) shall be issued upon exercise of an Option, and the number of Shares that may be purchased upon exercise shall be rounded to the nearest number of whole Shares.

6.5 Incentive Stock Options. In accordance with rules and procedures established by the Committee, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options may be granted to a Participant and the terms of any Incentive Stock Option granted hereunder shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder.

6.6 Form of Settlement. In its sole discretion, the Committee may provide, at the time of grant, that the Shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities. Similarly, the Committee may require Shares to be held for a specific period of time.

6.7 Non-Transferability. No Option shall be transferable by the Participant otherwise than by will or by the laws of descent and distribution, and an Option shall be exercisable during the lifetime of such Participant only by the Participant or his or her guardian or legal representative. Notwithstanding the foregoing, the Committee may set forth in the Award Agreement evidencing an Option (other than an Incentive Stock Option) at the time of grant or thereafter, that the Option may be transferred to members of the Participant's immediate family, to trusts solely for the benefit of such immediate family members and to partnerships in which such family members and/or trusts are the only partners, and for purposes of this Plan, a transferee of an Option shall be deemed to be the Participant. For this purpose, immediate family means the Participant's spouse, parents, children, stepchildren and grandchildren and the spouses of such parents, children, stepchildren and grandchildren. The terms of an Option shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs and successors of the Participant.

SECTION 7. STOCK APPRECIATION RIGHTS. The Committee may in its discretion, either alone or in connection with the grant of an Option, grant Stock Appreciation Rights in accordance with the Plan, the terms and conditions of which shall be set forth in an Award Agreement. If granted in connection with an Option, a Stock Appreciation Right shall cover the same Shares covered by the Option (or such lesser number of Shares as the Committee may determine) and shall, except as provided in this Section 7, be subject to the same terms and conditions as the related Option.

7.1 Time of Grant. A Stock Appreciation Right may be granted (i) at any time if unrelated to an Option, or (ii) if related to an Option, either at the time of grant or at any time thereafter during the term of the Option.

7.2 Stock Appreciation Right Related to an Option.

(a) Exercise. A Stock Appreciation Right granted in connection with an Option shall be exercisable at such time or times and only to the extent that the related Options are exercisable, and will not be transferable except to the extent the related Option may be transferable.

(b) Amount Payable. Upon the exercise of a Stock Appreciation Right related to an Option, the Participant shall be entitled to receive an amount determined by multiplying (i) the excess of the Fair Market Value of a Share on the date of exercise of such Stock Appreciation Right over the

per Share exercise price under the related Option, by (ii) the number of Shares as to which such Stock Appreciation Right is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Stock Appreciation Right by including such a limit in the Award Agreement evidencing the Stock Appreciation Right at the time it is granted.

(c) Treatment of Related Options and Stock Appreciation Rights Upon Exercise. Upon the exercise of a Stock Appreciation Right granted in connection with an Option, the Option shall be canceled to the extent of the number of Shares as to which the Stock Appreciation Right is exercised, and upon the exercise of an Option granted in connection with a Stock Appreciation Right, the Stock Appreciation Right shall be canceled to the extent of the number of Shares as to which the Option is exercised or surrendered.

7.3 Stock Appreciation Right Unrelated to an Option. The Committee may grant to Eligible Individuals Stock Appreciation Rights unrelated to Options. Stock Appreciation Rights unrelated to Options shall contain such terms and conditions as to exercisability, vesting and duration as the Committee shall determine, but in no event shall they have a term of greater than ten (10) years other than in the event of the death or Disability of the Participant as set forth in Section 12. Upon exercise of a Stock Appreciation Right unrelated to an Option, the Participant shall be entitled to receive an amount determined by multiplying (a) the excess of the Fair Market Value of a Share on the date of exercise of such Stock Appreciation Right over the Fair Market Value of a Share on the date the Stock Appreciation Right was granted, by (b) the number of Shares as to which the Stock Appreciation Right is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Stock Appreciation Right by including such a limit in the Award Agreement evidencing the Stock Appreciation Right at the time it is granted.

7.4 Non-Transferability. No Stock Appreciation Right shall be transferable by the Participant other than by will or by the laws of descent and distribution, and such Stock Appreciation Right shall be exercisable during the lifetime of such Participant only by the Participant or his or her guardian or legal representative. The terms of such Stock Appreciation Right shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs and successors of the Participant.

7.5 Method of Exercise. Stock Appreciation Rights shall be exercised by a Participant only by a written notice delivered in person or by mail to the Secretary of the Company at the Company's principal executive offices, specifying the number of Shares with respect to which the Stock Appreciation Right is being exercised.

7.6 Form of Payment. Payment of the amount determined under Section 7.2 or 7.3 may be made in the discretion of the Committee solely in whole Shares in a number determined at their Fair Market Value on the date of exercise of the Stock Appreciation Right, or solely in cash, or in a combination of cash and Shares. If the Committee decides to make full payment in Shares and the amount payable results in a fractional Share, payment for the fractional Share will be made in cash.

SECTION 8. RESTRICTED STOCK; RESTRICTED STOCK UNITS.

8.1 Grants. Restricted Stock Awards may be issued hereunder to Participants either alone or in addition to other Awards granted under the Plan. The terms and conditions of Restricted Stock Awards shall be set forth in an Award Agreement between the Company and the Participant. Each Award Agreement shall contain such restrictions, which may include such terms and conditions, including forfeiture provisions, as the Committee may, in its discretion, determine and (without limiting the generality of the foregoing) such Award Agreements may require that an appropriate legend be placed on Share certificates.

8.2 Purchase Price. The purchase price, if any, for Shares of Restricted Stock shall be determined by the Committee, but shall not be less than the par value per Share, except in the case of treasury Shares, for which no payment need be required. Awards of Restricted Stock shall be subject to the terms and provisions set forth below in this Section 8.

8.3 Rights of Participant. Shares of Restricted Stock granted pursuant to an Award hereunder shall be issued in the name of the Participant as soon as reasonably practicable after the Award is granted provided that the Participant has executed an Award Agreement, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require as a condition to the issuance of such Shares. If a Participant shall fail to execute the Award Agreement evidencing a Restricted Stock Award, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require within the time period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the discretion of the Committee, Shares issued in connection with a Restricted Stock Award shall be deposited together with the stock powers with an escrow agent (which may be the Company) designated by the Committee. Unless the Committee determines otherwise and as set forth in the Award Agreement, upon delivery of the Shares to the escrow agent, the Participant shall have all of the rights of a stockholder with respect to such Shares, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

8.4 Non-transferability. Until all restrictions upon the Shares of Restricted Stock awarded to a Participant shall have lapsed in the manner set forth in Section 8.5, such Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated, nor shall they be delivered to the Participant.

8.5 Lapse of Restrictions. Restrictions upon Shares of Restricted Stock awarded hereunder shall lapse at such time or times and on such terms and conditions as the Committee may determine. The Award Agreement evidencing the Award shall set forth any such restrictions. The Committee may accelerate or waive any or all of the restrictions and conditions applicable to any Award, for any reason.

8.6 Treatment of Dividends. At the time an Award of Shares of Restricted Stock is granted, the Committee may, in its discretion, determine that the payment to the Participant of dividends, or a specified portion thereof, declared or paid on such Shares by the Company shall be (a) deferred until the lapsing of the restrictions imposed upon such Shares and (b) held by the Company for the account of the Participant until such time. In the event that dividends are to be deferred, the Committee shall determine whether such dividends are to be reinvested in Shares (which shall be held as additional Shares of Restricted Stock) or held in cash. If deferred dividends are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at a rate per annum as the Committee, in its discretion, may determine. Payment of deferred dividends in respect of Shares of Restricted Stock (whether held in cash or as additional Shares of Restricted Stock), together with interest accrued thereon, if any, shall be made upon the lapsing of restrictions imposed on the Shares in respect of which the deferred dividends were paid, and any dividends deferred (together with any interest accrued thereon) in respect of any Shares of Restricted Stock shall be forfeited upon the forfeiture of such Shares.

8.7 Delivery of Shares. Upon the lapse of the restrictions and forfeiture provisions on Shares of Restricted Stock, the Committee shall cause a stock certificate to be delivered to the Participant with respect to such Shares, free of all restrictions hereunder.

8.8 Restricted Stock Unit Awards. The Committee may grant to Eligible Individuals Awards of Restricted Stock Units, the terms and conditions of which shall be set forth in an Award Agreement. Each Restricted Stock Unit shall represent the right of the Participant to receive a payment upon vesting of the Restricted Stock Unit or on any later date specified by the Committee equal to the Fair Market Value of a Share as of the date the Restricted Stock Unit was granted, the vesting date or such other date as determined by the Committee at the time the Restricted Stock Unit was granted. The Committee may, at the time a Restricted Stock Unit is granted, provide a limitation on the amount payable in respect of each Restricted Stock Unit. The Committee may provide for the settlement of Restricted Stock Units in cash or with Shares having a Fair Market Value equal to the payment to which the Participant has become entitled. Restricted Stock Units shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated.

SECTION 9. PERFORMANCE AWARDS.

9.1 Performance Units. The Committee, in its discretion, may grant Awards of Performance Units to Eligible Individuals, the terms and conditions of which shall be set forth in an Award Agreement between the Company and the Participant. Performance Units may be denominated in Shares or a specified dollar amount and, contingent upon the attainment of specified Performance Objectives within the Performance Period, represent the right to receive payment subject to Section 9.3(c) of (i) in the case of Share-denominated Performance Units, the Fair Market Value of a Share on the date the Performance Unit was granted, the date the Performance Unit becomes vested or any other date specified by the Committee; (ii) in the case of dollar-denominated Performance Units, the specified dollar amount; or (iii) a percentage (which may be more than 100%) of the amount described in clause (i) or (ii) depending on the level of Performance Objective attainment; provided, however, that the Committee may at the time a Performance Unit is granted specify a maximum amount payable in respect of a vested Performance Unit. Each Award Agreement shall specify the number of Performance Units to which it related, the Performance Objectives which must be satisfied in order for the Performance Units to vest and the Performance Period within which such Performance Objectives must be satisfied.

(a) Vesting and Forfeiture. Subject to Section 9.3(c), a Participant shall become vested with respect to the Performance Units to the extent that the Performance Objectives set forth in the Award Agreement are satisfied for the Performance Period.

(b) Payment of Awards. Subject to Section 9.3(c), payment to Participants in respect of vested Performance Units shall be made as soon as practicable after the last day of the Performance Period to which such Award relates unless the Award Agreement evidencing the Award provides for the deferral of payment, in which event the terms and conditions of the deferral shall be set forth in the Award Agreement. Such payments may be made entirely in Shares valued at the Fair Market Value, entirely in cash, or in such combination of Shares and cash as the Committee in its discretion shall determine; provided, however, that if the Committee in its discretion determines to make such payment entirely or partially in Shares of Restricted Stock, the Committee must determine the extent to which such payment will be in Shares of Restricted Stock and the terms of such Restricted Stock at the time the Award is granted.

(c) Non-transferability. Performance Units shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated.

9.2 Performance Shares. The Committee, in its discretion, may grant Awards of Performance Shares to Eligible Individuals with such terms and conditions including forfeiture provisions as the Committee shall determine and as set forth in an Award Agreement. Each Award Agreement may require that an appropriate legend be placed on Share certificates. Awards of Performance Shares shall be subject to the following terms and provisions.

(a) Rights of Participant. The Committee shall provide at the time an Award of Performance Shares is made the time or times at which the actual Shares represented by such Award shall be issued in the name of the Participant; provided, however, that no Performance Shares shall be issued until the Participant has executed an Award Agreement evidencing the Award, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require as a condition to the issuance of such Performance Shares. If a Participant shall fail to execute the Award Agreement evidencing an Award of Performance Shares, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require within the time period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the discretion of the Committee, Shares issued in connection with an Award of Performance Shares shall be deposited together with the stock powers with an escrow agent (which may be the Company) designated by the Committee. Unless the Committee determines otherwise and as set forth in the Award Agreement, upon delivery of the Shares to the escrow agent, the Participant shall have all of the rights of a stockholder with respect to such Shares, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

(b) Non-transferability. Until all restrictions upon the Performance Shares awarded to a Participant shall have lapsed, such Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated, nor shall they be delivered to the Participant. The Committee also may impose such other restrictions and conditions on the Performance Shares, if any, as it deems appropriate.

(c) Lapse of Restrictions. Restrictions upon Performance Shares awarded hereunder shall lapse and such Performance Shares shall become vested at such time or times and on such terms, conditions and satisfaction of Performance Objectives as the Committee may, in its discretion, determine at the time an Award is granted.

(d) Treatment of Dividends. At the time an Award of Performance Shares is granted, the Committee may, in its discretion, determine that the payment to the Participant of dividends, or a specified portion thereof, declared or paid on such Shares by the Company shall be (i) deferred until the lapsing of the restrictions imposed upon such Performance Shares and (ii) held by the Company for the account of the Participant until such time. In the event that dividends are to be deferred, the Committee shall determine whether such dividends are to be reinvested in Shares (which shall be held

as additional Performance Shares) or held in cash. If deferred dividends are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at a rate per annum as the Committee, in its discretion, may determine. Payment of deferred dividends in respect of Performance Shares (whether held in cash or as additional Performance Shares), together with interest accrued thereon, if any, shall be made upon the lapsing of restrictions imposed on the Shares in respect of which the deferred dividends were paid, and any dividends deferred (together with any interest accrued thereon) in respect of any Performance Shares shall be forfeited upon the forfeiture of such Performance Shares.

(e) Delivery of Shares. Upon the lapse of the restrictions on Performance Shares awarded hereunder, the Committee shall cause a stock certificate to be delivered to the Participant with respect to such Shares, free of all restrictions hereunder.

9.3 Performance Objectives.

(a) Establishment. Performance objectives ("Performance Objectives") for Performance Awards may be expressed in terms of (i) earnings per share, (ii) Share price, (iii) consolidated net income, (iv) pre-tax profits, (v) earnings or net earnings, (vi) return on equity or assets, (vii) sales, (viii) cash flow from operating activities, (ix) return on invested capital, (x) membership, (xi) other Company-specific growth or profit objectives as determined by the Committee, or (xii) any combination of the foregoing. Performance Objectives may be in respect of the performance of the Company, any of its subsidiaries, any of its divisions or any combination thereof. Performance Objectives may be absolute or relative (to prior performance of the Company or to the performance of one or more other entities or external indices) and may be expressed in terms of a progression within a specified range. The Performance Objectives with respect to an Award that is intended to constitute Performance-Based Compensation shall be established in writing by the Committee by the earlier of (x) the date on which a quarter of the Performance Period has elapsed or (y) the date which is ninety (90) days after the commencement of the Performance Period, and in any event while the performance relating to the Performance Objectives remains substantially uncertain.

(b) Effect of Certain Events. At the time of the granting of an Award, or at any time thereafter, in either case to the extent permitted under Section 162(m) of the Code and the regulations thereunder without adversely affecting the treatment of any Award intended to constitute Performance-Based Compensation, the Committee may provide for the manner in which the performance will be measured against the Performance Objectives (or may adjust the Performance Objectives) to reflect the impact of specified events, including any one or more of the following

with respect to the Performance Period (i) the gain, loss, income or expense resulting from changes in accounting principles that become effective during the Performance Period; (ii) the gain, loss, income or expense reported publicly by the Company with respect to the Performance Period that are extraordinary or unusual in nature or infrequent in occurrence; (iii) the gains or losses resulting from and the direct expenses incurred in connection with, the disposition of a business, or the sale of investments or non-core assets; (iv) the gain or loss from all or certain claims and/or litigation and all or certain insurance recoveries relating to claims or litigation; (v) the impact of impairment of tangible or intangible assets, including goodwill; (vi) the impact of restructuring or business recharacterization activities, including but not limited to reductions in force, that are reportedly publicly by the Company; or (vii) the impact of investments or acquisitions made during the year or, to the extent provided by the Committee, any prior year. The events may relate to the Company as a whole or to any part of the Company's business or operations, as determined by the Committee at the time the Performance Objectives are established. Any adjustments based on the effect of certain events are to be determined in accordance with generally accepted accounting principles and standards, unless another objective method of measurement is designated by the Committee.

(c) Determination of Performance. Prior to the vesting, payment, settlement or lapsing of any restrictions with respect to any Performance Award that is intended to constitute Performance-Based Compensation, the Committee shall certify that the applicable Performance Objectives have been satisfied to the extent necessary for such Award to qualify as Performance-Based compensation.

9.4 Unless otherwise determined by the Committee at the time of grant, each Performance Award granted hereunder is intended to be Performance-Based Compensation.

SECTION 10. SHARE AWARDS.

The Committee may grant a Share Award to any Eligible Individual on such terms and conditions as the Committee may determine in its sole discretion. Share Awards may be made as additional compensation for services rendered by the Eligible Individual or may be in lieu of cash or other compensation to which the Eligible Individual is entitled from the Company.

SECTION 11. CHANGE IN CONTROL PROVISIONS .

11.1 Notwithstanding any other provision of the Plan to the contrary, the following shall govern in the event of a Change in Control.

11.2 Except as may be set forth in an Award Agreement, all Options outstanding on the date of such Change in Control shall become immediately and fully

exercisable. In the event a Participant's employment with the Company is terminated other than for Cause within three (3) years following a Change in Control, each Option held by the Participant that was exercisable as of the date of termination of the Participant's employment or service shall remain exercisable for a period ending the earlier of the second anniversary of the termination of the Participant's employment or the expiration of the stated term of the Option.

11.3 To the extent set forth in an Award Agreement evidencing the grant of an Option, a Participant will be permitted to surrender for cancellation within sixty (60) days after such Change in Control any Option or portion of an Option to the extent not yet exercised and the Participant will be entitled to receive a payment in an amount equal to the excess, if any, of (x) (A) in the case of a Nonqualified Stock Option, the greater of (1) the Fair Market Value, on the date of surrender, of the Shares subject to the Option or portion thereof surrendered or (2) the Fair Market Value as Adjusted of the Shares subject to the Option or portion thereof surrendered or (B) in the case of an Incentive Stock Option, the Fair Market Value, on the date of surrender, of the Shares subject to the Option or portion thereof surrendered, over (y) the aggregate purchase price for such Shares under the Option or portion thereof surrendered. The form of payment shall be determined by the Committee.

11.4 Stock Appreciation Rights shall become immediately and fully exercisable. In addition, to the extent set forth in an Award Agreement evidencing the grant of a Stock Appreciation Right unrelated to an Option, a Participant will be entitled to surrender for cancellation within sixty (60) days after such Change in Control and receive a payment from the Company in cash in an amount equal to the excess, if any, of (a) the greater of (i) the Fair Market Value on the date of exercise, of the underlying Shares subject to the Stock Appreciation Right or portion thereof exercised and (ii) the Fair Market Value as Adjusted, on the date of exercise, of the Shares over (b) the aggregate Fair Market Value, on the date the Stock Appreciation Right was granted, of the Shares subject to the Stock Appreciation Right or portion thereof exercised. In the event a Participant's employment with the Company terminates other than for Cause within three (3) years following a Change in Control, each Stock Appreciation Right held by the Participant that was exercisable as of the date of termination of the Participant's employment shall, notwithstanding any shorter period set forth in the Award Agreement evidencing the Stock Appreciation Right, remain exercisable for a period ending not before the earlier of the second anniversary of (x) the termination or the Participant's employment or (y) the expiration of the stated term of the Stock Appreciation Right.

11.5 Shares of Restricted Stock or Restricted Stock Units shall lapse and in the case of a Restricted Stock Unit, the Participant shall be entitled to receive in respect of the Restricted Stock Unit a cash payment within ten (10) days after such Change in Control.

11.6 Unless otherwise determined by the Committee and set forth in the Award Agreement, the Participant shall (i) become vested in all outstanding Performance Units as if all Performance Objectives had been satisfied at the maximum level and (ii) be entitled to receive in respect of all Performance Units which become vested as a result of a Change in Control a cash payment within ten (10) days after such Change in Control.

11.7 Unless otherwise determined by the Committee and set forth in the Award Agreement, with respect to Performance Shares, all restrictions shall lapse immediately on all outstanding Performance Shares as if all Performance Objectives had been satisfied at the maximum level.

SECTION 12. TERMINATION OF EMPLOYMENT, DIRECTORSHIP OR CONSULTANCY; DEATH OR DISABILITY.

12.1 Unless otherwise determined by the Committee:

(a) If the employment, directorship or consultancy of a Participant with the Company is terminated for Cause, all the rights of such Participant under any then outstanding Award shall terminate immediately, regardless of whether or not such Award is then vested.

(b) If the employment, directorship or consultancy of the Participant is terminated for any reason other than for Cause, Retirement, death or Disability.

(i) Any outstanding Options and Stock Appreciation Rights shall be exercisable by such Participant or a personal representative at any time prior to the expiration date of the Option or Stock Appreciation Right or within ninety (90) days after the date of such termination, whichever is the shorter period, but only to the extent the Option or Stock Appreciation Right was exercisable at the date of termination.

(ii) Any Shares of Restricted Stock, Performance Awards or Restricted Stock Units with respect to which restrictions shall not have lapsed shall thereupon be forfeited immediately by the Participant and returned to the Company, and the Participant shall only receive the amount, if any, paid by the Participant for such Awards; provided that the Committee may determine, in its sole discretion, in the case of a termination of employment other than for Cause, that the restrictions on some or all of such Awards then held by the Participant shall immediately lapse.

(c) In the event of the Participant's Retirement:

(i) Any outstanding Options or Stock Appreciation Rights shall be exercisable by such Participant at any time prior to the expiration

date of the Option or Stock Appreciation Right or within two (2) years after the date of such Retirement, whichever is the shorter period, but only to the extent that such Option or Stock Appreciation Right was exercisable at the date of such Retirement. Notwithstanding the foregoing, any Option or Stock Appreciation Right granted on or after January 1, 2010 (A) that was exercisable at the date of such Retirement shall be exercisable for the two (2) year period after the date of such Retirement and (B) that was not exercisable at the date of such Retirement shall continue to vest and become exercisable as if the Participant were continuing to provide services to the Company or a Subsidiary, as applicable, and such Option or Stock Appreciation Right (or portion thereof) shall be exercisable for the two (2) year period following the date on which such Option or Stock Appreciation Right (or portion thereof) becomes vested and exercisable.

(ii) Any Shares of Restricted Stock or Restricted Stock Units with respect to which restrictions have not lapsed as of the date of Retirement shall thereupon be forfeited immediately by the Participant and returned to the Company, and the Participant shall only receive the amount, if any, paid by the Participant for such Awards; provided, that any Shares of Restricted Stock or Restricted Stock Units granted on or after January 1, 2010 with respect to which restrictions have not lapsed as of the date of Retirement, shall continue to vest, in accordance with the original schedule, as if the Participant were continuing to provide services to the Company or a Subsidiary, as applicable; provided, further, that, the Committee may determine, in its sole discretion, that the restrictions on some or all such Shares of Restricted Stock or Restricted Stock Units held by the Participant as of the date of Retirement shall immediately lapse.

(iii) Any Performance Awards with respect to which restrictions have lapsed as of the date of Retirement shall thereupon be forfeited immediately by the Participant and returned to the Company, and the Participant shall only receive the amount, if any, paid by the Participant for such Performance Awards; provided, that the Committee may determine, in its sole discretion, that the restrictions on some or all of such Performance Awards then held by the Participant shall immediately lapse; provided, further, that with respect to a Performance Award granted on or after January 1, 2010, the Award Agreement pursuant to which such Performance Award was granted may provide for such treatment on Retirement as the Committee may determine at the time of grant or at any time thereafter.

(d) In the event of Disability or death of a Participant:

(i) All outstanding Options and Stock Appreciation Rights of such Participant then outstanding shall become immediately exercisable in full. In the event of death of a Participant, all Options and Stock Appreciation Rights of such Participant shall be exercisable by the person or the persons to whom those rights pass by will or by the laws of descent and distribution or, if appropriate, by the legal representative of the estate of the deceased Participant at any time within two (2) years after the date of death, regardless of the expiration date of the Option or Stock Appreciation Right, except for Incentive Stock Options which may not be exercised later than the expiration date of the Options. In the event of Disability of any Participant, all Options and Stock Appreciation Rights of such Participant shall be exercisable by the Participant, or, if incapacitated, by a legal representative at any time within two (2) years of the date of determination of Disability regardless of the expiration date of the Option or Stock Appreciation Right.

(ii) Any restriction and other conditions applicable to any Shares of Restricted Stock, Performance Awards or Restricted Stock Units then held by the Participant, including, but not limited to, vesting requirements, shall immediately lapse.

SECTION 13. AMENDMENTS AND TERMINATION. The Board may amend, alter or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of a Participant under an Award theretofore granted, without the Participant's consent, or that without the approval of the Company's stockholders would:

(a) except as is provided in Section 4.6 of the Plan, increase the total number of Shares reserved for the purpose of the Plan;

(b) change the class of Eligible Individuals eligible to participate in the Plan; or

(c) reduce the exercise price for Options and Stock Appreciation Rights by repricing or replacing such Awards. The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without his consent. Except as provided in Section 4.6 and with respect to the grant of Substitute Awards, the Committee shall not have the authority to cancel any outstanding Option and issue a new Option in its place with a lower exercise price; provided, however, that this sentence shall not prohibit an exchange offer whereby the Company provides certain Participants with an election to cancel an outstanding Option and receive a grant of a new Option at a future date if such exchange offer only occurs with stockholder approval.

SECTION 14. GENERAL PROVISIONS.

(a) The term of each Award shall be for such period of months or years from the date of its grant as may be determined by the Committee; provided that, except as provided in Section 12, in no event shall the term of any Option or any Stock Appreciation Right related to any Option exceed a period of ten (10) years from the date of its grant.

(b) No Employee or Participant shall have any claim to be granted any Award under the Plan and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

(c) The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have complied with the then applicable terms and conditions of such Award.

(d) All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(e) Except as otherwise required in any applicable Award Agreement or by the terms of the Plan, recipients of Awards under the Plan shall not be required to make any payment or provide consideration other than the rendering of services.

(f) The Committee is authorized to establish procedures pursuant to which the payment of any Award may be deferred.

(g) The Company is authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee be authorized to establish procedures for election by Participants to satisfy such withholding taxes by delivery of, or directing the Company to retain Shares. The Company will not issue Shares or Awards until such tax obligations have been satisfied.

(h) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is otherwise required; and such arrangements may be either generally applicable or applicable only in specific cases.

(i) The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable Federal law.

(j) If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any relevant jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

(As adopted by the Board on March 13, 2003 and February 23, 2006, and the stockholders on May 15, 2003; amendments subject to approval at the April 27, 2006 Annual Meeting of Stockholders; further amendments adopted by the Board on June 25, 2009, effective as of January 1, 2010)

Exhibit 10(d)

HUMANA SUPPLEMENTAL EXECUTIVE RETIREMENT AND SAVINGS PLAN

AMENDED AND RESTATED AS OF JUNE 25, 2009

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HUMANA SUPPLEMENTAL EXECUTIVE RETIREMENT
AND SAVINGS PLAN
AMENDED AND RESTATED AS OF
JUNE 25, 2009

WHEREAS, HUMANA INC. ("Humana"), a Delaware corporation with its principal place of business in Louisville, Kentucky ("Sponsoring Employer"), has adopted the Humana Retirement and Savings Plan ("Retirement and Savings Plan"), which is intended to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code"), and

WHEREAS, certain employees of the Sponsoring Employer and its subsidiaries are eligible for allocations of contributions to retirement accounts and pretax savings accounts under the Retirement and Savings Plan and the Humana Puerto Rico 1165(e) Retirement Plan and plans previously terminated or merged into the Retirement and Savings Plan (collectively, "Qualified Plans"), and

WHEREAS, pursuant to the terms of the Qualified Plans, the benefits of certain employees of the Sponsoring Employer and its subsidiaries have been and will be reduced because of the limitation on compensation of Section 401(a)(17) of the Code, the nondiscrimination requirements of Sections 401(k) and 401(m) of the Code, the limitation on allocations of contributions of Section 415 of the Code and certain other limitations imposed by applicable provisions of the Puerto Rico Internal Revenue Code, and

WHEREAS, the Board of Directors of the Sponsoring Employer ("Board of Directors") desires to continue to provide a supplemental benefit to a select group of management and highly compensated employees in the amount of the reduction of their benefits and employer contributions under the Qualified Plans, and

WHEREAS, on September 1, 1982, the Sponsoring Employer adopted the Humana Supplemental Executive Retirement Plan, and

WHEREAS, on May 11, 1988, the Sponsoring Employer adopted the Humana Thrift Excess Plan, and

WHEREAS, on December 31, 2003 the Sponsoring Employer merged the Humana Supplemental Executive Retirement Plan and the Humana Thrift Excess Plan, and amended and restated those plans as a single plan, namely the Humana Supplemental Executive Retirement and Savings Plan (the "Plan"), and

WHEREAS, the Sponsoring Employer now desires to amend the Plan to comply with Section 409A and to make certain other changes to the Plan.

NOW, THEREFORE, the Sponsoring Employer, pursuant to the right to amend the Plan contained in Article 7, hereby approves and adopts this amendment and restatement effective June 25, 2009, except for the modifications to Section 2.23 which shall be effective January 1, 2010.

ARTICLE 1

PURPOSE AND APPLICABILITY OF PLAN

1.1 Purpose of Plan. The purpose of the Plan shall be to provide Supplemental Benefits to Participants whose benefits under the Qualified Plans have been or will be reduced because of the compensation limitation of Section 401(a)(17) of the Code, the nondiscrimination requirements of Sections 401(k) and 401(m) of the Code and certain limitations imposed by applicable provisions of the Puerto Rico Internal Revenue Code, upon the terms and conditions, and subject to the limitations, contained herein.

1.2 Applicability of Plan. The provisions of the Plan shall apply only to persons participating in Qualified Plans on and after the applicable dates specified in Section 3.1.

ARTICLE 2

DEFINITIONS

As used herein, the following words and phrases shall have the meanings specified below, unless a different meaning is plainly required by the context. Terms not defined herein shall have the meanings specified in the Retirement and Savings Plan.

2.1 Accounts. A Participant's Supplemental Retirement Account, Supplemental Pretax Savings Account and OTRP Rollover Account.

2.2 Beneficiary and Secondary Beneficiary. The person or persons (or a trust) as set forth under the Qualified Plans unless a Participant shall have elected in writing a different Beneficiary and Secondary Beneficiary for this Plan, in which case the written election for this Plan shall govern.

2.3 Board of Directors. The Board of Directors of the Sponsoring Employer.

2.4 Change in Control. Change in Control shall have the meaning set forth in Appendix A.

2.5 Code. The Internal Revenue Code of 1986, as it has been and may be amended from time to time. Reference to any section of the Code shall include any provision successor thereto.

2.6 Compensation Committee. The Organization and Compensation Committee of the Board of Directors of the Sponsoring Employer.

2.7 [Reserved.]

2.8 Employee. Any member of a select group of management and highly compensated employees employed by an Employer.

2.9 Employer. The Sponsoring Employer and each corporation which is a member of the "affiliated group" (as defined in Section 1504(a) of the Code) with the Sponsoring Employer. When used with reference to an Employee or Participant, the term shall mean the Employer employing the Employee or Participant.

2.10 Initial Year Contribution. Contributions made to the Accounts of a Participant pursuant to Section 4.1 of the Plan, in respect of the year in which the Participant's Participation Date occurred, including all gains (or losses) attributable to such contributions.

2.11 Investment Options. The investment vehicles in which a Participant's Accounts shall be deemed invested. Investment Options shall be limited to those offered to participants in the Retirement and Savings Plan as of that date; provided, however, that no Participant shall be permitted to invest in a brokerage account.

2.12 OTRP Rollover Account. The account which reflects balances transferred from the Humana Officers' Target Retirement Plan on November 1, 2007.

2.13 Participant. An Employee who has met the requirements of Article 3 for participation hereunder. Where the context so permits or requires, the term shall also include a person who was a Participant prior to the termination of the Participant's employment with an Employer and who is entitled to a Supplemental Benefit after such person's employment terminates.

2.14 Payment Commencement Date. The date on which the payment of a Participant's Supplemental Benefits are scheduled to be paid or commence pursuant to Article V and the applicable election of the Participant.

2.15 Participation Date. The later of the applicable date specified in Section 3.1 or the date a Participant receives the notice described in Section 3.3.

2.16 Plan. The Humana Supplemental Executive Retirement and Savings Plan provided for herein, as it may be amended from time to time.

2.17 Plan Administrator. The Plan Administrator shall be the Sponsoring Employer.

2.18 Plan Year. The twelve consecutive month period commencing on the first day of January and ending on the last day of the immediately following December.

2.19 Qualified Plans. Each of the Humana Retirement and Savings Plan and the Humana Puerto Rico 1165(e) Retirement Plan.

2.20 Qualified Pretax Savings Account. The Pretax Savings Account of a Participant in a Qualified Plan.

2.21 Qualified Retirement Account. The Retirement Account of a Participant in a Qualified Plan.

2.22 Related Employer. Any subsidiary or affiliate of the Sponsoring Employer, which is designated by the Board of Directors to be a Related Employer.

2.23 Retirement. A Participant's retirement on or after the first day of the month coincident with or following the date on which all of the following shall have occurred:

(a) the Participant has completed five years of retirement service;

(b) the Participant has reached at least age 55; and

(c) the Participant's age plus years of retirement service equals or exceeds 65.

A Participant's "years of retirement service" shall be determined as provided for in the Retirement and Savings Plan.

2.24 Retirement and Savings Plan. The Humana Retirement and Savings Plan, as it may be amended from time to time.

2.25 Section 409A. Section 409A of the Code and the regulations and interpretive guidance issued thereunder.

2.26 Separation from Service. A Participant will be treated as having a Separation from Service if it is not reasonably expected that the Participant will continue to provide services to the Sponsoring Employer or any other Employer who has adopted the Qualified Plans (whether as an employee or independent contractor, but not as a director) that exceeds twenty percent (20%) of the average level of bona fide services performed by the Participant over the immediately preceding thirty-six (36) month period (or the full period of services if the Participant has been providing services less than thirty-six (36) months).

2.27 Sponsoring Employer. Humana Inc., a Delaware corporation.

2.28 Supplemental Benefits. The benefits available under the Plan, including the Supplemental Retirement Benefit, the Supplemental Pretax Savings Benefit, and the amount credited to the OTRP Rollover Account, unless otherwise specified.

2.29 Supplemental Pretax Savings Account. The account established by that name on behalf of a Participant.

2.30 Supplemental Retirement Account. The account established by that name on behalf of a Participant.

2.31 Supplemental Pretax Savings Benefit. The benefit described in Section 4.1(b).

2.32 Supplemental Retirement Benefit. The benefit described in Section 4.1(a).

ARTICLE 3

PARTICIPATION IN THE PLAN

3.1 Eligible Employees. Persons eligible to participate in the Plan include (i) each Employee who is a participant in a Qualified Plan (a) after August 31, 1982, in the case of the Supplemental Retirement Account and (b) May 1, 1988, in the case of the Supplemental Pretax Savings Account and (ii) as of November 1, 2007, in the case of persons whose accounts have been transferred to the Plan from the Humana Officers' Target Retirement Plan. Participants shall participate in this Plan to the extent of the benefits stated herein.

3.2 Provisions of Plan Binding on Participants. Upon becoming a Participant, a Participant shall be bound then and thereafter by the terms of this Plan, including all amendments to the Plan.

3.3 Notification of Participation. Each Employee shall become a Participant on the date he or she receives notification to that effect.

3.4 Termination of Benefit Accrual. An Employee's accrual of benefits under this Plan shall cease upon the Employee's Separation from Service.

ARTICLE 4

SUPPLEMENTAL BENEFITS

4.1 Amount of Supplemental Benefits.

(a) Supplemental Retirement Benefits. Each Participant shall become entitled to Supplemental Retirement Benefits for a Plan Year equal to the difference, if any, between the actual contribution by the Employer to a Qualified Retirement Account on behalf of the Participant for such Plan Year and the amount of the contribution which would otherwise have been made by the Employer on behalf of such Participant for such Plan Year but for the compensation limitation of Section 401(a)(17) of the Code and the annual additions limitations imposed by Section 415 of the Code, and effective January 1, 2008 with respect to limitations imposed by applicable sections of the Puerto Rico Internal Revenue Code.

(b) OTRP Rollover Benefits. Amounts that have been transferred to the Plan in respect of a Participant's accrued benefit under the Humana Officers' Target Retirement Plan shall be allocated to the Participant's OTRP Rollover Account as of November 1, 2007.

(c) Supplemental Pretax Savings Benefits. Each Participant shall become entitled to Supplemental Pretax Savings Benefits for a Plan Year equal to the difference, if any, between the actual Employer matching contribution to a Qualified Pretax Savings Account made on behalf of the Participant for such Plan Year and the amount the Employer matching contribution would otherwise have been on behalf of such Participant for such Plan Year but for the legal limitations on the Participant's contributions and the Employer's contributions, and effective January 1, 2008 with respect to limitations imposed by applicable section of the Puerto Rico Internal Revenue Code; provided, however, that for Plan Years beginning before 2008, Participants shall be entitled to benefits under this section only if such difference is equal to or greater than eight hundred dollars ($800.00) in such Plan Year.

4.2 Accrual of Supplemental Benefits. The Supplemental Retirement Benefit and the Supplemental Pretax Savings Benefit shall be deemed to accrue to the Participant's Supplemental Retirement Account and Supplemental Pretax Savings Account no later than the date on which the annual retirement contribution is made to the applicable Qualified Plan. No benefit will accrue with respect to any Plan Year if the Participant ceases to be an active employee before the end of such Plan Year, unless cessation of employment is due to death, Retirement, disability or a Change in Control, in which case the Participant will be entitled to benefits prorated to the date on which the Participant ceases to be an active employee.

4.3 Investment Options.

(a) Accruals for Plan Years Prior to and Including 2006. With respect to accruals made to a Participant's Supplemental Retirement Account and Supplemental Pretax Savings Account for plan years prior to and including 2006, accruals were allocated among the Investment Options in accordance with the allocation of a Participant's Retirement and Savings Plan account. Such allocations were effected at such times and with such exceptions as were established by the Administrator.

(b) Accruals for Plan Years After 2006. Each Participant shall elect the Investment Options in which accruals to the Participant's Supplemental Retirement Account and Supplemental Pretax Savings Account shall be deemed to be allocated. A Participant's accruals may be allocated in one percent increments among one or more of the Investment Options. If the Participant allocates less than 100% of his or her accruals pursuant to this Section 4.3(b), unallocated accruals shall be deemed to be allocated to the default investment option established by the Plan Administrator, or if no such default has been established by the Plan Administrator, to the default investment option established under the Retirement and Savings Plan. A Participant may change the allocation of accruals to his or her Supplemental Retirement Account and Supplemental Pretax Savings Account at any time in such manner as the Plan Administrator may prescribe.

(c) OTRP Rollover. Amounts allocated to a Participant's OTRP Account shall initially be deemed to be invested in the applicable age appropriate target retirement fund Investment Option. Subsequently, a Participant may reallocate the balance in his or her OTRP Rollover Account pursuant to Section 4.4.

4.4 Reallocation Among Investment Options. Each Participant may reallocate the balances in his or her Accounts among the Investment Options in one percent increments. Effective November 1, 2007, changing Investment Options shall be permitted on a daily basis and shall be effected in such manner as the Plan Administrator may prescribe from time to time, which may include an online alternative.

4.5 Adjustments to Account Balances. The balances in Participants' Accounts shall be adjusted for gains (or losses) as if such amounts were actually invested in the Investment Options selected by the Participants. Upon a Participant's Separation from Service or cessation of active participation in this Plan for any reason, the balances in the Participant's Accounts will continue to be allocated among the Investment Options subject to reallocation pursuant to Section 4.4.

ARTICLE 5

DISTRIBUTION OF BENEFITS

5.1 Eligibility for Distribution of Supplemental Benefits. Except as otherwise provided in Article 5, the payment of the Participant's Supplemental Benefits shall commence no later than ninety (90) days following the Participant's Separation from Service (the " Payment Commencement Date"). The form of the payment shall be governed by Section 5.2 notwithstanding the form of distribution of the Participant's benefits from the Retirement and Savings Plan. All payments shall be made in cash.

5.2 Form of Payment. If a Participant does not elect an alternative form of distribution in accordance with Section 5.3, the Participant's distribution will be made in the form of a lump sum distribution.

5.3 Initial Election of Form of Distribution. Prior to the later of December 31, 2008 and the date that is thirty (30) days after a Participant's Participation Date, a Participant may elect one of the following alternative forms of distribution for amounts other than the Initial Year Contribution:

(a) Periodic installments (either monthly, quarterly or annually) for a period not to exceed 20 years, to the extent permitted under Section 409A; provided, however, that this form of payment will only be available if the Participant's balance in the account from which the periodic payments would be made exceeds $100,000, or such lesser amount, if any, permitted under Section 409A. In the event that the benefit payments are in the form of installments, the Participant's Accounts shall be deemed to be invested in the Stable Value Fund or a fund similar to the Stable Value Fund then available under the Retirement and Savings Plan; or

(b) An annuity in any form permitted from the Retirement and Savings Plan at the time of a Participant's election; provided, however, that an annuity form of payment will only be available if the Participant's balance in the account from which the annuity payment would be made exceeds $100,000, or such lesser amount, if any, permitted under Section 409A.

A Participant's initial election pursuant to this Section 5.3 shall become irrevocable on the later of (i) December 31, 2008 or (ii) the thirtieth (30th) day after the Participant's Participation Date, except for subsequent elections made in accordance with Section 5.4. A Participant's Initial Year Contribution will be paid at the time and in the manner provided for in Sections 5.1 and 5.2

5.4 Subsequent Election. At any time after the date that is thirty (30) days after a Participant's Participation Date, a Participant may change the form of payment method from the lump sum distribution provided in Section 5.2 to one of the alternatives provided in Section 5.3 or, if an initial election was made pursuant to Section 5.3, from the payment method specified in such election to a lump sum distribution, provided that any such election that is made before January 1, 2009 shall be made in accordance with IRS Notice 2007-86 and any such election that is made after December 31, 2008 (i) will not be effective for twelve (12) months after the date on which such election is made, (ii) must be made not less than twelve (12) months prior to the date of the first scheduled payment of the Participant's Supplemental Benefits and (iii) will result in a Payment Commencement Date that is at least five (5) years after the previously scheduled Payment Commencement Date. A Participant may not change any election (or non-election) such Participant has made with respect to Section 5.5(a) or Section 5.5(b).

5.5 Change in Control Election. Prior to the later of December 31, 2008 or the date that is thirty (30) days after a Participant's Participation Date, a Participant may make a separate election that in the event of a Change in Control which also constitutes a "change in ownership or effective control" of the Company or a "change in ownership of a substantial portion of the assets of" the Company, in each case within the meaning of Section 409A, his or her Supplemental Benefits (other than his or her Initial Year Contribution) shall be distributed in

(a) A lump sum to be paid at the effective time of the Change in Control; or

(b) A lump sum to be paid following the Participant's Separation from Service within two (2) years following the Change in Control.

If the Participant does not make a separate Change in Control election, his or her Supplemental Benefits will be paid at the time and in the manner provided for in Sections 5.1 and 5.2 or, except for the Participant's Initial Year Contribution, pursuant to the Participant's alternative election made in accordance with Section 5.3 or 5.4.

5.6 Rabbi Trust. Upon the effective date of a Change in Control, the Sponsoring Employer shall create a "Rabbi Trust" (i.e., a grantor trust designed to hold funds to be used to pay benefits under a deferred compensation arrangement without such funds becoming taxable to the Participants entitled to such benefits until paid to such Participants) in the form set forth on Appendix B with a major financial institution selected by the Sponsoring Employer to which the Sponsoring Employer shall transfer funds in an amount equal to the aggregate balance of all Participants' Accounts as of the date of the Change in Control, but excluding amounts to be paid in a lump sum immediately following the Change in Control.

5.7 Source of Supplemental Benefits. The Supplemental Benefits shall not be funded but shall constitute liabilities of the Sponsoring Employer, payable when due from the general assets of the Employer or, if a Rabbi Trust has been established pursuant to Section 5.6, such Rabbi Trust. The Sponsoring Employer shall pay all costs, charges and expenses related thereto. No Participant or other person shall have any right or claim to the payment of Supplemental Benefits which in any manner whatsoever is superior to or different from the right or claim of a general and unsecured creditor of the Sponsoring Employer.

5.8 Distributions to Beneficiaries. Effective November 1, 2007, if at the time of a Participant's death a distribution is still outstanding, the remaining benefits shall be paid to the Participant's Beneficiary in a single lump sum as soon as practicable following the death of the Participant and the determination of the Beneficiary but in no event later than ninety (90) days after the Participant's death. If a Participant's death occurs while any amount remains in the Participant's Accounts and the Participant's Beneficiary does not survive the Participant, the remaining benefits shall be paid to the Participant's Secondary Beneficiary. If a deceased Participant is not survived by either a Beneficiary or Secondary Beneficiary (or if no Beneficiary was effectively named), the benefits shall be paid in a single sum to the estate of the Participant and the Plan Administrator shall be fully protected in paying such benefits to such deceased Participant's personal representative, irrespective of whether payments are actually made to a person or persons who in fact are not the personal representative of the deceased Participant.

5.9 Payments to Specified Employees. Notwithstanding any other provision in the Plan, payments of Supplemental Benefits owed to any Participant pursuant to the Plan who is a "specified employee" as defined under Section 409A, shall not be made or commenced pursuant to the Plan to the Participant until the date that is six (6) months and one (1) day after the Participant's Separation from Service and shall be paid or commenced on such date; provided, however, that this Section 5.9 shall not apply if the Participant's Separation from Service occurs by reason of his or her death. If this Section 5.9 applies and the method of payment of the Participant's Supplemental Benefits is not a lump sum, the first payment to the Participant will include all amounts that would have been paid during the six (6) month and one (1) day period but for this Section 5.9

ARTICLE 6

PLAN ADMINISTRATION

6.1 Duties of Plan Administrator. The Plan Administrator shall be responsible for making all policy decisions which arise under the Plan and shall be responsible for administering the Plan and keeping records of Supplemental Benefits.

6.2 Establishment of Rules and Claims Procedure. Subject to the limitations of the Plan, the Plan Administrator shall from time to time establish rules for the administration of the Plan. Without limiting the generality of the preceding sentence, it is specifically provided that the Plan Administrator shall set forth the procedures to be followed in presenting claims for benefits under the Plan. In case of any factual dispute hereunder, the Compensation Committee shall resolve such dispute giving due weight to all evidence available to it. The Compensation

Committee shall interpret the Plan and shall determine all questions arising in the administration, interpretation and application of the Plan. All such determinations shall be final, conclusive and binding.

6.3 Employment of Counsel, Etc. The Compensation Committee may employ such counsel, accountants and other agents, as it shall deem advisable. The Sponsoring Employer shall pay the compensation of such counsel, accountants and other agents and any other expenses incurred by the Compensation Committee in the administration of the Plan.

6.4 Payment of Expenses. The reasonable costs and expenses incurred by the Compensation Committee in the performance of its duties hereunder, excluding compensation for services, but including, without limitation, reasonable fees for legal, accounting and other services rendered, shall be paid by the Sponsoring Employer.

ARTICLE 7

AMENDMENTS AND RESERVATION OF COMPANY RIGHTS

7.1 Rights Generally to Make Amendments. By action of the Board of Directors, the Sponsoring Employer shall have the right at any time by instrument of writing, to modify, alter, amend or terminate the Plan in whole or in part, provided that any Benefit which has actually accrued and become distributable hereunder shall not be affected thereby, and provided that no amendment increases the obligations of any Employer to make contributions hereunder unless such Employer approves such amendment. Further, no amendment shall be made which shall decrease any Participant's Account balance. Subject to the foregoing restrictions, the committee appointed pursuant to Article 10 of the Retirement and Savings Plan shall also have the authority to amend the Plan in any manner which is necessary to comply with Section 409A and the authority to adopt any other amendment to the Plan which does not have the effect of materially increasing the liability of any Employer; provided, however, that no amendment by such committee may affect any Participant who is a member of such committee unless it applies to Participants generally.

7.2 Conditions to Amendments, Suspension or Termination. Notwithstanding the provisions of Section 7.1, no amendment, suspension or termination shall adversely affect:

(a) The Supplemental Benefits of any Participant, or the Beneficiary or Secondary Beneficiary of any Participant who has retired prior thereto; or

(b) The right of any Participant then employed by the Employer to receive upon retirement or other termination of employment, or the Participant's Beneficiary or Secondary Beneficiary to receive upon the Participant's death, the accrued Supplemental Benefits to which such person would have been entitled under the Plan prior to its amendment, suspension or termination.

7.3 Accelerated Distribution Upon Loss of Tax Deferral. In the event that this Plan fails to satisfy the requirements of Section 409A and as a consequence a Participant

becomes subject to federal income tax on all or any portion of his or her Account Balance for which such Participant is not then scheduled to receive a distribution under the Plan, notwithstanding any other provision of the Plan or distribution election made by such Participant, the Plan Administrator shall accelerate the payment of that portion of the Participant's Accounts which the Plan Administrator reasonably determines to be subject to such taxation in a lump sum payable on a date determined by the Plan Administrator.

ARTICLE 8

CHANGE IN EMPLOYMENT

8.1 Participant Transfer from Employer to Employer. A Participant who transfers employment from one Employer to another Employer shall not be considered as terminating employment with an Employer and shall continue to be a Participant in this Plan without interruption.

8.2 Participant Transfer from Employer to Related Employer. A Participant who transfers employment to a Related Employer that has not adopted the Qualified Plans shall not be considered as terminating employment with an Employer and shall remain an active Participant in the Plan, except that no further benefits shall be accrued on such Participant's behalf under Article 4. Although no further benefits may be accrued, the Participant's Supplemental Benefits may continue to be allocated among the Investments Options in accordance with Section 4.4.

ARTICLE 9

MISCELLANEOUS PROVISIONS

9.1 Prohibition Against Assignment. Neither the interest of a Participant or any other person nor the Supplemental Benefits payable hereunder, is subject to the claim of creditors of Participants or their Beneficiaries, and will not be subject to attachment, garnishment or any other legal process. Neither a Participant nor the Participant's Beneficiaries may assign, sell, borrow on or otherwise encumber any of the Participant's beneficial interest in the Plan, nor shall any such benefits be in any manner liable for or subject to the deeds, contracts, liabilities, engagements or torts of any Participant or Beneficiary. All such payments and rights thereto are expressly declared to be non-assignable and non-transferable, and in the event of any attempt of assignment or transfer, the Employer shall have no further liability hereunder.

9.2 Plan Voluntary on Part of Employers. Although it is the intention of each Employer that this Plan shall be continued, this Plan is entirely voluntary on the part of each Employer, and the continuance of the Plan is not assumed as a contractual obligation of an Employer other than as may be provided by Article 7.

9.3 Plan Not Contract of Employment. This Plan shall not be deemed to constitute a contract between the Employer and any Participant or to be a consideration or an inducement for the employment of any Participant or Employee. Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the

Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect which such discharge shall have upon such individual as a Participant in the Plan.

9.4 Form of Notice. Any references in this Plan to written notice may, at the option of the Employer, be made by electronic notice.

9.5 Construction.

(a) This Plan shall be construed and enforced according to the laws of the Commonwealth of Kentucky, and all provisions hereunder shall be administered according to the laws thereof. It is intended that this Plan be exempt from Title I of the Employee Retirement Income Security Act of 1974, as amended, under Section 4(b)(5) thereof, as an excess benefit plan and as a plan which is unfunded and maintained by the Employer for the purpose of providing deferred compensation for a select group of highly compensated employees, and any ambiguities in construction shall be resolved in favor of interpretation which will effectuate such intentions.

(b) Any words herein used in the singular shall be read and construed as though used in the plural in all cases where they would so apply.

(c) Titles of articles and headings to sections are inserted for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles and headings, shall control.

9.6 Payment to Minors, Etc. In making any payment to or for the benefit of any minor or incompetent Beneficiary, or incompetent Participant, the Plan Administrator, in its sole, absolute and uncontrolled discretion, may, but need not, make such payment to a legal or natural guardian or other relative of such minor or court appointed committee of such incompetent, or to any adult with whom such minor or incompetent temporarily or permanently resides, and any such guardian, committee, relative or other person shall have full authority and discretion to expend such distribution for the use and benefit of such minor or incompetent, and the receipt by such guardian, committee, relative or other person shall be a complete discharge to the Employer, without any responsibility on its part to see to the application thereof.

[signature page follows]

IN WITNESS WHEREOF, the Sponsoring Employer has caused this instrument to be executed and attested thereto by its duly authorized officers this 29th day of July, 2009.

HUMANA INC.

Attest:

By: /s/ Michael B. McCallister
Michael B. McCallister
President & Chief Executive Officer

/s/ Joan O. Lenahan
Joan O. Lenahan
Vice President & Secretary

APPENDIX A

The below definition of Change in Control is the definition used in the Humana Inc. 2003 Stock Incentive Plan. All definitions referred to herein shall have the definitions ascribed to them in the 2003 Stock Incentive Plan.

"Change in Control" shall mean the occurrence of:

1) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary") (ii) the Company or its Subsidiaries, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

2) The individuals who, as of the effective date of this Plan are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Proxy Contest; or

3) The consummation of:

   a) A merger, consolidation or reorganization involving the Company, unless such merger, consolidation or reorganization is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a merger, consolidation or reorganization of the Company where:

      i) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following

such merger, consolidation or reorganization, at least seventy-five percent (75%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

ii) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation, or a corporation beneficially directly or indirectly owning a majority of the Voting Securities of the Surviving Corporation, and no agreement, plan or arrangement is in place to change the composition of the board of directors following the merger, consolidation or reorganization; and

iii) no Person other than (i) the Company, (ii) any Subsidiary, (iii) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation, or any Subsidiary, or (iv) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities, has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities.

b) A complete liquidation or dissolution of the Company; or

c) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities then outstanding, increases the proportional number of Shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

APPENDIX B
FORM OF RABBI TRUST

APPENDIX B

TRUST UNDER _____
DEFERRED COMPENSATION PLAN

THIS TRUST AGREEMENT ("Trust Agreement") is made this Click and type Day day of Click and type Month , Click and type Year , by and between (i) <**NAME OF COMPANY CREATING TRUST**>, a **<state of incorporation**> corporation ("Company") and (ii) <**NAME OF TRUSTEE**>, ("Trustee").

RECITALS:

A. Company has adopted the <Name of Company creating Trust> Deferred Compensation Plan ("Plan"), which is a nonqualified deferred compensation plan.

B. Company has incurred or expects to incur liability under the terms of such Plan with respect to the individuals participating in such Plan.

C. Company wishes to establish a trust (hereinafter called "Trust") and to contribute to the Trust assets that shall be held therein, subject to the claims of Company's creditors in the event of Company's Insolvency (as herein defined), until paid to Plan participants and their beneficiaries in such manner and at such times as specified in the Plan.

D. It is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

E. It is the intention of Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan.

AGREEMENT:

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

1. ESTABLISHMENT OF TRUST.

(a) Company hereby deposits with Trustee in trust $, which shall become the principal of the Trust to be held, administered and disposed of by Trustee as provided in this Trust Agreement.

(b) The Trust hereby established is revocable by Company; it shall become irrevocable upon a "Change in Control" as that term is defined in the Plan.

(c) The Trust is intended to be a grantor trust, of which Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(d) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of Plan participants and general creditors as herein set forth. Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against Company. Any assets held by the Trust will be subject to the claims of Company's general creditors under federal and state law in the event of Insolvency.

(e) Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Trust Agreement. Neither Trustee nor any Plan participant or beneficiary shall have any right to compel such additional deposits.

2. PAYMENTS TO PLAN PARTICIPANTS AND THEIR BENEFICIARIES.

(a) Company shall deliver to Trustee a schedule (the "Payment Schedule") that indicates the amounts payable in respect of each Plan participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plan), and the time of commencement for payment of such amounts. Except as otherwise provided herein, Trustee shall make payments to the Plan participants and their beneficiaries in accordance with such Payment Schedule. The Trustee shall make provision for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of benefits pursuant to the terms of the Plan and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by Company.

(b) The entitlement of a Plan participant or his or her beneficiaries to benefits under the Plan shall be determined by Company or such party as it shall designate under the Plan, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Plan.

(c) Company may make payment of benefits directly to Plan participants or their beneficiaries as they become due under the terms of the Plan. Company shall notify Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Plan, Company shall make the balance of each such payment as it falls due. Trustee shall notify Company where principal and earnings are not sufficient.

3. TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO TRUST BENEFICIARY WHEN COMPANY IS INSOLVENT.

(a) Trustee shall cease payment of benefits to Plan participants and their beneficiaries if Company is Insolvent. Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) Company is unable to pay its debts as they become due, or (ii) Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of Company under federal and state law as set forth below.

(1) The Board of Directors of Company and the Chief Executive Officer of Company shall have the duty to inform Trustee in writing of Company's Insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become Insolvent, Trustee shall determine whether Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits to Plan participants or their beneficiaries.

(2) Unless Trustee has actual knowledge of Company's Insolvency, or has received notice from Company or a person claiming to be a creditor alleging that Company is Insolvent, Trustee shall have no duty to inquire whether Company is Insolvent. Trustee may in all events rely on such evidence concerning Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Company's solvency.

(3) If at any time Trustee has determined that Company is Insolvent, Trustee shall discontinue payments to Plan participants or their beneficiaries and shall hold the assets of the Trust for the benefit of Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of Company with respect to benefits due under the Plan or otherwise.

(4) Trustee shall resume the payment of benefits to Plan participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Plan participants or their beneficiaries under the terms of the Plan for the period of such discontinuance, less the aggregate amount of any payments made to Plan participants or their beneficiaries by Company in lieu of the payments provided for hereunder during any such period of discontinuance.

4. PAYMENTS TO COMPANY. Except as provided in Section 3 hereof, after the Trust has become irrevocable, Company shall have no right or power to direct Trustee to return to Company or to divert to others any of the Trust assets before all payment of benefits have been made to Plan participants and their beneficiaries pursuant to the terms of the Plan.

5. INVESTMENT AUTHORITY.

(a) The Trustee may invest in securities (including stock or rights to acquire stock) or obligations issued by Company. All rights associated with assets of the Trust shall be exercised by Trustee or the person designated by Trustee, and shall in no event be exercised by or rest with the Plan Participants. The Committee shall direct Trustee as to the investment of the Trust assets.

(b) Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity.

(c) All amounts paid to Trustee by Company shall be held and administered by Trustee as a single trust and Trustee shall not be required to segregate and invest separately any part of the Trust representing interests of individual Plan participants.

(d) Neither any Plan participant nor their beneficiaries shall have any authority or control whatsoever over the investments of the Trust.

(e) Trustee shall have all the powers necessary to carry out the provisions hereunder. Trustee shall have the custody of all cash, securities and investments received or purchased in accordance with the terms hereof. Trustee may sell or exchange any property or asset of the Trust at public or private sale, with or without advertisement, upon terms acceptable to Trustee and in such manner as Trustee may deem wise and proper. The proceeds of any such sale or exchange may be reinvested as provided hereunder. The purchaser of any such property from Trustee shall not be required to look to the application of the proceeds of any such sale or exchange by Trustee. Trustee may participate in the reorganization, recapitalization, merger or consolidation of any corporation in which Trustee may own stock or securities and may exercise any subscription rights or conversion privileges, and generally may exercise any of the powers of any owner with respect to any stock or other securities or property comprising the Trust. Trustee may, through any duly authorized officer or proxy, vote or refrain from voting any shares of stock or securities which Trustee may own from time to time.

(f) Trust may retain in cash such funds as from time to time it may deem advisable.

(g) Trustee may hold stocks or other securities in its own name as Trustee, with or without the designation of the Trust, or in the name of a nominee selected by it for that purpose, and may deposit securities with a depository trust company, but Trustee shall nevertheless be obligated to account for all securities owned by it as a part of the Trust, notwithstanding the name in which the same may be held.

6. DISPOSITION OF INCOME. During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

7. ACCOUNTING BY TRUSTEE. Trustee shall keep accurate and detailed records of all investments, receipts, disbursements and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Company and Trustee. Within 45 days following the close of each calendar year, and within 45 days after the removal or resignation of Trustee, Trustee shall deliver to Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

8. RESPONSIBILITY OF TRUSTEE.

(a) Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by Company which is contemplated by, and in conformity with, the terms of the Plan or this Trust and is given in writing by Company. In the event of a dispute between Company and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute.

(b) If Trustee undertakes or defends any litigation arising in connection with this Trust, Company agrees to indemnify Trustee against Trustee's costs, expenses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If Company does not pay such costs, expenses and liabilities in a reasonably timely manner, Trustee may obtain payment from the Trust.

(c) Trustee may consult with legal counsel (who may also be counsel for Company generally) with respect to any of its duties or obligations hereunder.

(d) Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein; provided, however, that if an insurance policy is held as an asset of the Trust, Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

(e) Notwithstanding the provisions of Section 8(d) hereof, Trustee may loan to Company the proceeds of any borrowing against any insurance policy held as an asset of the Trust.

(f) Notwithstanding any powers granted to Trustee pursuant to this Trust Agreement or by applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom within the meaning of Treas. Reg. § 301.7701-2.

9. COMPENSATION AND EXPENSES OF TRUSTEE. Company shall pay all administrative and Trustee's fees and expenses. If not so paid, the fees and expenses shall be paid from the Trust.

10. RESIGNATION AND REMOVAL OF TRUSTEE.

(a) Trustee may resign at any time by written notice to Company, which shall be effective 30 days after receipt of such notice unless Company and Trustee agree otherwise.

(b) Trustee may be removed by Company on 10 days notice or upon shorter notice acceptable by Trustee; provided, however, that upon a Change in Control, Trustee may not be removed by Company for one year.

(c) If Trustee resigns within one year after a Change in Control, Company shall apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions.

(d) Upon resignation or removal of Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within 30 days after receipt of notice of resignation, removal or transfer, unless Company extends the time limit.

(e) If Trustee resigns or is removed, a successor shall be appointed, in accordance with Section 11 hereof, by the effective date of resignation or removal under Sections 10(a) or 10(b) hereof. If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

11. APPOINTMENT OF SUCCESSOR.

(a) If Trustee resigns or is removed in accordance with Sections 10(a) or 10(b) hereof, Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by Company or the successor Trustee to evidence the transfer.

(b) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Sections 7 and 8 hereof. The successor Trustee shall not be responsible for, and Company shall indemnify and defend the successor Trustee from, any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

12. AMENDMENT OR TERMINATION.

(a) This Trust Agreement may be amended by a written instrument executed by Trustee and Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan or shall make the Trust revocable after it has become irrevocable in accordance with Section 1(b) hereof.

(b) The Trust shall not terminate until the date on which Plan participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plan unless sooner revoked in accordance with Section 1(b) hereof. Upon termination of the Trust, any assets remaining in the Trust shall be returned to Company.

(c) This Trust Agreement may not be amended by Company for one year following a Change in Control.

13. MISCELLANEOUS.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to its conflict of laws rules.

14. EFFECTIVE DATE. The effective date of this Trust Agreement shall be the date of its execution.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date first written above.

X_NAME OF COMPANY CREATING TRUST_X

By: _____

Title: _____

("x_DefinedName_x")

X_NAME OF TRUSTEE_X

By: _____

Title: _____

("x_DefinedName_x")

Exhibit 10(e)

HUMANA INC.
RESTRICTED STOCK AGREEMENT
AND AGREEMENT NOT TO COMPETE OR SOLICIT
UNDER THE AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

THIS RESTRICTED STOCK AGREEMENT (**"Agreement"**) made as of by and between **HUMANA INC.**, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter referred to as the **"Company"**), and **,** an employee of the Company (hereinafter referred to as **"Grantee"**).

WITNESSETH:

WHEREAS, the Amended and Restated 2003 Stock Incentive Plan (the **"Plan"**), for certain employees and non-employee Directors of the Company and its subsidiaries was approved by the Company's Board of Directors (the **"Board"**) and stockholders; and

WHEREAS, the Company desires to award to Grantee restricted shares of common stock of the Company in accordance with the Plan.

NOW, THEREFORE, in consideration of the award of restricted stock to Grantee, the premises and mutual covenants hereinafter set forth, and other good and valuable consideration, the Company and Grantee agree as follows:

I. RESTRICTED STOCK GRANT

A. Purchase and Sale of Common Stock. Subject to the terms and conditions hereinafter set forth, and in accordance with the provisions of the Plan, the Company hereby grants to Grantee, and Grantee hereby accepts from the Company Shares. The purchase price, if any, for the Shares shall be determined by the Committee, but shall not be less than par value of $.16 2/3 per share.

B. Restrictions on Non-Vested Shares. Until such time as the Shares purchased hereunder have become vested in accordance with Section I.C. (Shares which are not vested are referred to herein as "Restricted Stock"), such Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated. In addition, such Restricted Stock shall be subject to forfeiture in accordance with the provisions of Section I.D. Except for the restrictions provided for in this Section I.B., Grantee shall have all of the rights of a stockholder with respect to Restricted Stock including, but not limited to, the right to vote; provided that any cash or in-kind dividends paid with respect to Restricted Stock shall be withheld by the Company and shall be paid to Grantee, without interest, only when, and if, such Restricted Stock shall become vested ("Dividends").

C. **Vesting of Shares.**

1. None of the Restricted Stock shall vest until , the third anniversary of the date hereof, at which time it shall vest in full.

2. Notwithstanding the foregoing, upon (i) the death or Disability of Grantee, or (ii) a Change in Control, all restrictions shall lapse and all Restricted Stock and Dividends shall thereafter be immediately transferable and non-forfeitable.

3. Upon the Restricted Stock becoming vested, such Shares shall be free of all restrictions provided for in this Section I.

D. Forfeiture. Upon the termination of Grantee's employment with the Company prior to the time the Restricted Stock has vested pursuant to Section I.C., other than a termination in the event of Grantee's Retirement, the Restricted Stock and Dividends shall thereupon be forfeited immediately by Grantee. In the event of Grantee's Retirement, any Restricted Stock with respect to which restrictions have not lapsed as of the date of Retirement shall continue to vest, in accordance with the original schedule, as if the Grantee were continuing to provide services to the Company or a Subsidiary, as applicable; provided, however, that the Organization & Compensation Committee of the Company may determine, in its sole discretion, that the restrictions on some or all of such Restricted Stock held by the Grantee as of the date of Retirement shall immediately lapse.

E. Retention of Stock Certificate. Notwithstanding that Grantee has been awarded the Restricted Stock on the date hereof, the Company has caused all Restricted Stock to be issued in book entry format or under a Certificate representing the Restricted Stock prior to vesting. If a Certificate is issued, it shall bear the following legend:

> "The Shares represented by this certificate have been issued pursuant to the terms of the Humana Inc. Amended and Restated 2003 Stock Incentive Plan and may not be sold, assigned, transferred, discounted, exchanged, pledged or otherwise encumbered or disposed of in any manner except as set forth in the terms of the agreement embodying the award of such Shares."

Upon the vesting of the Restricted Stock, Grantee shall have the right to receive a Certificate evidencing such vested stock, shall receive any Dividends and shall have the right to have the legend provided for above removed from the Certificate representing such vested Shares.

F. Taxes. Federal, state and local income taxes and other amounts as may be required by law to be collected by the Company in connection with the grant or vesting of an Award shall be paid by Grantee prior to the issuance of a Certificate representing the shares.

II. AGREEMENT NOT TO COMPETE AND AGREEMENT NOT TO SOLICIT

A. Agreement Not To Compete. Grantee hereby covenants and agrees that for a period commencing on the date hereof and ending twelve (12) months after the effective date of Grantee's termination of employment with the Company, Grantee, directly or indirectly, personally, or as an employee, officer, director, partner, member, owner, material shareholder, investor or principal of, or consultant or independent contractor with, another entity, shall not:

Participate in any business which competes with the Company, including, without limitation, health maintenance organizations, insurance companies or prepaid health plan businesses, in which the Company has been actively engaged during any part of the two (2) year period immediately preceding the Grantee's employment termination date ("Company Business"), in any of the markets in which the Company is then currently doing business.

B. Agreement Not To Solicit. Grantee hereby covenants and agrees that for a period commencing on the date hereof and ending twelve (12) months after the effective date of Grantee's termination of employment with the Company, Grantee, directly or indirectly, personally, or as an employee, officer, director, partner, member, owner, material shareholder, investor or principal of, or consultant or independent contractor with, another entity, shall not:

1. Interfere with the relationship of the Company and any of its employees, agents, representatives, consultants or advisors.

2. Divert, or attempt to cause the diversion from the Company, any Company Business, nor interfere with relationships of the Company with its policyholders, agents, brokers, dealers, distributors, marketers, sources of supply or customers.

3. Solicit, recruit or otherwise induce or influence any employee of the Company to accept employment in any business which competes with the Company Business, in any of the markets in which the Company is then currently doing business.

C. Effect of Termination of Employment.

1. In the event Grantee voluntarily resigns or is discharged by Company with Cause at any time prior to the vesting of the Restricted Stock, the prohibitions on Grantee set forth herein shall remain in full force and effect.

2. In the event Grantee is discharged by Company other than with Cause prior

to the vesting herein of the Restricted Stock, the prohibitions set forth in Section II.A. shall remain in full force and effect only if the Company, solely at its option, pays to Grantee an amount at least equal to Grantee's then current annual base salary, whether such amount is paid pursuant to this provision or pursuant to any other severance or separation plan or other plan or agreement between Grantee and Company.

3. In the event Grantee is discharged by Company other than with Cause prior to vesting herein of the Restricted Stock, the prohibitions set forth in Section II.B. above shall remain in full force and effect.

4. After the vesting of the Restricted Stock, the prohibitions on Grantee set forth herein shall remain in full force and effect, except as otherwise provided in Section II.D.

D. Effect Of Change In Control.

1. In the event of a Change in Control, the prohibitions on Grantee set forth in Section II.A. shall remain in full force and effect only if the acquirer or successor to the Company following the Change in Control shall, solely at its option, pay, within thirty (30) days following Grantee's employment termination date with the Company or its successor, to the Grantee an amount at least equal to Grantee's then current annual base salary, plus Grantee's maximum potential bonus pursuant to any bonus plan in which Grantee participated as of the date of the Change in Control. Such sums shall be in addition to any other amounts paid or payable to Grantee with respect to other change in control agreements.

2. In the event of a Change in Control, the prohibitions on Grantee set forth in Section II.B. shall remain in full force and effect.

E. Governing Law. Notwithstanding any other provision herein to the contrary, the provisions of this Section II of the Agreement, shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to its conflicts or choice of laws rules or principles that might otherwise refer construction or interpretation of this Section II to the substantive law of another jurisdiction.

F. Injunctive Relief; Invalidity of Any Provision. Grantee acknowledges that (1) his or her services to the Company are of a special, unique and extraordinary character, (2) his or her position with the Company will place him or her in a position of confidence and trust with respect to the operations of the Company, (3) he or she will benefit from continued employment with the Company, (4) the nature and periods of restrictions imposed by the covenants contained in this Sections II hereof are fair, reasonable and necessary to protect the Company, (5) the Company

would sustain immediate and irreparable loss and damage if Grantee were to breach any of such covenants, and (6) the Company's remedy at law for such a breach will be inadequate. Accordingly, Grantee agrees and consents that the Company, in addition to the recovery of damages and all other remedies available to it, at law or in equity, shall be entitled to seek both preliminary and permanent injunctions to prevent and/or halt a breach or threatened breach by Grantee of any covenant contained in Section II hereof. If any provision of this Section II is determined by a court of competent jurisdiction to be invalid in whole or in part, it shall be deemed to have been amended, whether as to time, area covered or otherwise, as and to the extent required for its validity under applicable law, and as so amended, shall be enforceable. The parties further agree to execute all documents necessary to evidence such amendment.

III. MISCELLANEOUS PROVISIONS

A. Binding Effect & Adjustment. This Agreement shall be binding and conclusive upon each successor and assign of the Company. Grantee's obligations hereunder shall not be assignable to any other person or entity. It is the intent of the parties to this Agreement that the benefits of any appreciation of the underlying Common Stock during the term of the Award shall be preserved in any event, including but not limited to a recapitalization, merger, consolidation, reorganization, stock dividend, stock split, reverse stock split, spin-off or similar transaction, or other change in corporate structure affecting the Shares, as more fully described in Section 4.6 of the Plan. All obligations imposed upon Grantee and all rights granted to Grantee and to the Company shall be binding upon Grantee's heirs and legal representatives.

B. **Amendment**. This Agreement may only be amended by a writing executed by each of the parties hereto.

C. **Governing Law.** Except as to matters of federal law and as otherwise provided herein, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware without regard to its conflict of laws rules. This Agreement shall also be governed by, and construed in accordance with, the terms of the Plan.

D. No Employment Agreement. Nothing herein confers on the Grantee any rights with respect to the continuance of employment or other service with the Company, nor will it interfere with any right the Company would otherwise have to terminate or modify the terms of Grantee's employment or other service at any time.

E. Severability. If any provision of this Agreement is or becomes or is deemed invalid, illegal or unenforceable in any relevant jurisdiction, or would disqualify this Award under any law

deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Agreement shall remain in full force and effect.

F. Defined Terms. Any term used herein and not otherwise defined herein shall have the same meaning as in the Plan. Any conflict between this Agreement and the Plan will be resolved in favor of the Plan. Any disputes or questions of right or obligation which shall result from or relate to any interpretation of this Agreement shall be determined by the Committee. Any such determination shall be binding and conclusive upon Grantee and any person or persons claiming through Grantee as to any rights hereunder.

G. Execution. If Grantee shall fail to execute this Agreement, either manually with a paper document, or through the online grant agreement procedure with the Company's designated broker–dealer, and, if manually executed, return the executed original to the Secretary of the Company, the Award shall be null and void. The choice of form will be at the Company's discretion.

IN WITNESS WHEREOF, Company has caused this Agreement to be executed on its behalf by its duly authorized officer, and Grantee has executed this Agreement, each as of the day first above written.

"Company"

ATTEST:

HUMANA INC.

BY: _____
[Name]
[Title]

BY: _____
[Name]
[Title]

"Grantee"

_____
[Name]

Exhibit 10(f)

HUMANA INC.
STOCK OPTION AND RESTRICTED STOCK AGREEMENT
AND AGREEMENT NOT TO COMPETE OR SOLICIT
UNDER THE
AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

THIS AGREEMENT (**"Agreement"**) made as of by and between **HUMANA INC.**, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter referred to as the **"Company"**), and , an employee of the Company (hereinafter referred to as **"Grantee"**).

WITNESSETH:

WHEREAS, the Amended and Restated 2003 Stock Incentive Plan (the **"Plan"**), for certain employee and non-employee Directors of the Company and its subsidiaries was approved by the Company's Board of Directors (the **"Board"**) and stockholders; and

WHEREAS, the Company desires to grant to Grantee i) an option to purchase shares of common stock of the Company and ii) restricted shares of common stock of the Company in accordance with the Plan.

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter set forth, and other good and valuable consideration, the Company and Grantee agree as follows:

I. OPTION GRANT

A. Grant of Option. The Company hereby grants to Grantee, as a matter of separate inducement and agreement and not in lieu of salary or other compensation for services, a Non-Qualified Stock Option to purchase shares of the $.16 2/3 par value common stock of the Company ("Common Stock") at the purchase price of $ per share (the "Option") exercisable on the terms and conditions set forth herein.

B. Term. The term of the Option shall commence upon the date of grant, , and shall expire on ("Expiration Date").

C. Vesting of Option. Except as otherwise set forth herein, this Option shall be exercisable by Grantee or his/her personal representative on and after the first anniversary of the date hereof in cumulative annual installments of one-third of the number of shares covered hereby.

D. Effect of Termination of Employment.

1. If the employment of Grantee by the Company is terminated for Cause, all the rights of Grantee under this Agreement, whether or not exercisable, shall terminate immediately.

2. If the employment of Grantee is terminated for any reason other than for Cause, Retirement, death or Disability, unless otherwise specified herein, all the rights of Grantee under this Agreement then exercisable shall remain exercisable at any time within ninety (90) days after the date of such termination, but in no event beyond the Expiration Date.

3. In the event of Optionee's Retirement, (i) to the extent that this Option (or portion hereof) is exercisable as of the date of such Retirement, this Option (or portion hereof) shall be exercisable at any time within two (2) years after the date of Retirement, but in no event beyond the Expiration Date, and only to the extent the Option (or portion hereof) was exercisable at the date of Retirement, and (ii) to the extent that this Option (or portion hereof) is not exercisable as of the date of such Retirement, this Option (or portion hereof) shall continue to vest and become exercisable as if the Optionee were continuing to provide services to the Company or a Subsidiary, as applicable, and this Option (or portion hereof) shall be exercisable at any time within two (2) years following the date on which this Option (or portion hereof) becomes vested and exercisable.

4. In the event of death or Disability of Grantee while in the employ of the Company, this Option shall become immediately exercisable and shall remain exercisable by Grantee or the person or the persons to whom those rights pass by will or by the laws of descent and distribution or, if appropriate, by the legal representative of the Grantee or the estate of the Grantee at any time within two (2) years after the date of such death or Disability, regardless of the Expiration Date.

5. In the event of a Change in Control, as defined in the Plan, the Option granted in Section I shall become fully vested and immediately exercisable in its entirety. In addition, Grantee will be permitted to surrender for cancellation within sixty (60) days after a Change in Control, any portion of this Option to the extent not yet exercised and Grantee will be entitled to receive a payment in an amount equal to the excess, if any, of (x) the greater of (1) the Fair Market Value on the date of surrender of the Shares subject to this Option or portion thereof surrendered, or (2) the Fair Market Value, as Adjusted, of the Shares subject to this Option or portion thereof surrendered, over (y) the aggregate purchase price for such Shares under this Option or portion thereof surrendered. The form of payment shall be determined by the Committee. In the event Grantee's employment with the Company is terminated other than for Cause within three (3) years following a Change in Control, each Option held by the Grantee that was exercisable as of the date of termination of the Grantee's employment or service shall remain exercisable for a period ending the earlier of the second anniversary of the termination of the Grantee's employment or the expiration of the stated term of the Option.

E. Exercise of Option.

1. This Option shall be exercisable only by written notice to the Secretary of the Company at the Company's principal executive offices, or through the on-line procedure to such broker-dealer as designated by the Company, by Grantee or his/her legal representative as herein provided. Such notice shall state the number of shares to be exercised and shall be signed, or authorized electronically, by Grantee or his/her legal representative, as applicable.

2. The purchase price shall be paid as follows:

a) In full in cash upon the exercise of the Option; or

b) By tendering to the Company shares of the Common Stock of Company owned by him/her prior to the date of exercise and having an aggregate fair market value equal to the cash exercise price applicable to his/her Option

c) A combination of I.E.(2)(a) and I.E.(2)(b) above; or

d) Through the cashless exercise provisions of the designated broker-dealer as described in the procedures communicated to the Grantee by the Company.

3. Federal, state and local income taxes and other amounts as may be required by law to be collected by the Company in connection with the exercise of this Option shall be paid pursuant to the Plan by Grantee prior to the delivery of any Common Stock under this Agreement.

II. RESTRICTED STOCK GRANT

A. Purchase and Sale of Common Stock. Subject to the terms and conditions hereinafter set forth, and in accordance with the provisions of the Plan, the Company hereby grants to Grantee, and Grantee hereby accepts from the Company Shares ("Award"). The purchase price, if any, for the Shares shall be determined by the Committee, but shall not be less than par value of $.16 2/3 per share.

B. Restrictions on Non-Vested Shares. Until such time as the Shares purchased hereunder have vested in accordance with Section II.C. (Shares which are not vested are referred to herein as "Restricted Stock"), such Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated. In addition, such Restricted Stock shall be subject to forfeiture in accordance with the provisions of Section II.D. Except for the restrictions provided for in this Section II., Grantee shall have all of the rights of a stockholder with respect to Restricted Stock including, but not limited to, the right to vote; provided that any cash or in-kind dividends paid with respect to Restricted Stock shall be withheld by the Company and shall be paid to Grantee, without interest, only when, and if, such Restricted Stock shall become vested ("Dividends").

C. Vesting of Shares.

1. None of the Restricted Stock shall vest until , the third anniversary of the date hereof, at which time it shall vest in full.

2. Notwithstanding the foregoing, upon (i) the death or Disability of Grantee, or (ii) a Change in Control, all restrictions shall lapse and the Restricted Stock and Dividends shall thereafter be immediately transferable and non-forfeitable.

3. Upon the Restricted Stock becoming vested, such Shares shall be free of all restrictions provided for in this Section II.

D. Forfeiture. Upon the termination of Grantee's employment with the Company prior to the time the Restricted Stock has vested pursuant to Section I.C., other than a termination in the event of Grantee's Retirement, the Restricted Stock and Dividends shall thereupon be forfeited immediately by Grantee. In the event of Grantee's Retirement, any Restricted Stock with respect to which restrictions have not lapsed as of the date of Retirement shall continue to vest, in accordance with the original schedule, as if the Grantee were continuing to provide services to the Company or a Subsidiary, as applicable; provided, however, that the Organization & Compensation Committee of the Company may determine, in its sole discretion, that the restrictions on some or all of such Restricted Stock held by the Grantee as of the date of Retirement shall immediately lapse.

E. Retention of Stock Certificate. Notwithstanding that Grantee has been awarded the Restricted Stock on the date hereof, the Company has caused all Restricted Stock to be issued in book entry format or under a Certificate representing the Restricted Stock prior to vesting. If a Certificate is issued, it shall bear the following legend:

> "The Shares represented by this certificate have been issued pursuant to the terms of the Humana Inc. 2003 Amended and Restated Stock Incentive Plan and may not be sold, assigned, transferred, discounted, exchanged, pledged or otherwise encumbered or disposed of in any manner except as set forth in the terms of the agreement embodying the award of such Shares."

Upon the vesting of the Restricted Stock, Grantee shall have the right to receive a Certificate evidencing such vested stock, shall receive any Dividends and shall have the right to have the legend provided for above removed from the Certificate representing such vested Shares.

F. Taxes. Federal, state and local income taxes and other amounts as may be required by law to be collected by the Company in connection with the grant or vesting of an Award shall be paid by Grantee prior to the issuance of a Certificate representing the Shares.

III. AGREEMENT NOT TO COMPETE AND AGREEMENT NOT TO SOLICIT

A. Agreement Not To Compete. Grantee hereby covenants and agrees that for a period commencing on the date hereof and ending twelve (12) months after the effective date of Grantee's termination of employment with the Company, Grantee, directly or indirectly, personally, or as an employee, officer, director, partner, member, owner, material shareholder, investor or principal of, or consultant or independent contractor with, another entity, shall not:

Participate in any business which competes with the Company, including, without limitation, health maintenance organizations, insurance companies or prepaid health plan businesses, in which the Company has been actively engaged during any part of the two (2) year period immediately preceding the Grantee's employment termination date ("Company Business"), in any of the markets in which the Company is then currently doing business.

B. Agreement Not To Solicit. Grantee hereby covenants and agrees that for a period commencing on the date hereof and ending twelve (12) months after the effective date of Grantee's termination of employment with the Company, Grantee, directly or indirectly, personally, or as an employee, officer, director, partner, member, owner, material shareholder, investor or principal of, or consultant or independent contractor with, another entity, shall not:

1. Interfere with the relationship of the Company and any of its employees, agents, representatives, consultants or advisors.

2. Divert, or attempt to cause the diversion from the Company, any Company Business, nor interfere with relationships of the Company with its policyholders, agents, brokers, dealers, distributors, marketers, sources of supply or customers.

3. Solicit, recruit or otherwise induce or influence any employee of the Company to accept employment in any business which competes with the Company Business, in any of the markets in which the Company is then currently doing business.

C. Effect of Termination of Employment.

1. In the event Grantee voluntarily resigns or is discharged by Company with Cause at any time prior to the vesting of the Restricted Stock, the prohibitions on Grantee set forth herein shall remain in full force and effect.

2. In the event Grantee is discharged by Company other than with Cause prior to the vesting herein of the Restricted Stock, the prohibitions set forth in Section III.A. shall remain in full force and effect only if the Company, solely at its option, pays to Grantee an amount at least equal to Grantee's then current annual base salary, whether such amount is paid pursuant to this provision or pursuant to any other severance or separation plan or other plan or agreement between Grantee and Company.

3. In the event Grantee is discharged by Company prior to vesting herein of the Restricted Stock, the prohibitions set forth in Section III.B. above shall remain in full force and effect.

4. After the vesting of the Restricted Stock, the prohibitions on Grantee set forth herein shall remain in full force and effect, except as otherwise provided in Section III.D.

D. Effect Of Change In Control.

1. In the event of a Change in Control, the prohibitions on Grantee set forth in Section III.A. shall remain in full force and effect only if the acquirer or successor to the Company following the Change in Control shall, solely at its option, pay, within thirty (30) days following Grantee's employment termination date with the Company or its successor, to the Grantee an

amount at least equal to Grantee's then current annual base salary, plus Grantee's maximum potential bonus pursuant to any bonus plan in which Grantee participated as of the date of the Change in Control. Such sums shall be in addition to any other amounts paid or payable to Grantee with respect to other change in control agreements.

2. In the event of a Change in Control, the prohibitions on Grantee set forth in Section III.B. shall remain in full force and effect.

E. Governing Law. Notwithstanding any other provision herein to the contrary, the provisions of this Section III of the Agreement, shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to its conflicts or choice of laws rules or principles that might otherwise refer construction or interpretation of this Section III to the substantive law of another jurisdiction.

F. Injunctive Relief; Invalidity of Any Provision. Grantee acknowledges that (1) his or her services to the Company are of a special, unique and extraordinary character, (2) his or her position with the Company will place him or her in a position of confidence and trust with respect to the operations of the Company, (3) he or she will benefit from continued employment with the Company, (4) the nature and periods of restrictions imposed by the covenants contained in this Sections III hereof are fair, reasonable and necessary to protect the Company, (5) the Company would sustain immediate and irreparable loss and damage if Grantee were to breach any of such covenants, and (6) the Company's remedy at law for such a breach will be inadequate. Accordingly, Grantee agrees and consents that the Company, in addition to the recovery of damages and all other remedies available to it, at law or in equity, shall be entitled to seek both preliminary and permanent injunctions to prevent and/or halt a breach or threatened breach by Grantee of any covenant contained in Section III hereof. If any provision of this Section III is determined by a court of competent jurisdiction to be invalid in whole or in part, it shall be deemed to have been amended, whether as to time, area covered or otherwise, as and to the extent required for its validity under applicable law, and as so amended, shall be enforceable. The parties further agree to execute all documents necessary to evidence such amendment.

IV. MISCELLANEOUS PROVISIONS

A. Binding Effect & Adjustment. This Agreement shall be binding and conclusive upon each successor and assign of the Company. Grantee's obligations hereunder shall not be assignable to any other person or entity. It is the intent of the parties to this Agreement that the benefits of any appreciation of the underlying Common Stock during the term of the Award shall be preserved in any event, including but not limited to a recapitalization, merger, consolidation, reorganization, stock dividend, stock split, reverse stock split, spin-off or similar transaction, or other change in

corporate structure affecting the Shares, as more fully described in Section 4.6 of the Plan. All obligations imposed upon Grantee and all rights granted to Grantee and to the Company shall be binding upon Grantee's heirs and legal representatives.

B. Amendment. This Agreement may only be amended by a writing executed by each of the parties hereto.

C. Governing Law. Except as to matters of federal law and as otherwise provided herein, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware without regard to its conflict of laws rules. This Agreement shall also be governed by, and construed in accordance with, the terms of the Plan.

D. No Employment Agreement. Nothing herein confers on the Grantee any rights with respect to the continuance of employment or other service with the Company, nor will it interfere with any right the Company would otherwise have to terminate or modify the terms of Grantee's employment or other service at any time.

E. Severability. If any provision of this Agreement is or becomes or is deemed invalid, illegal or unenforceable in any relevant jurisdiction, or would disqualify this Option or Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Agreement shall remain in full force and effect.

F. Defined Terms. Any term used herein and not otherwise defined herein shall have the same meaning as in the Plan. Any conflict between this Agreement and the Plan will be resolved in favor of the Plan. Any disputes or questions of right or obligation which shall result from or relate to any interpretation of this Agreement shall be determined by the Committee. Any such determination shall be binding and conclusive upon Grantee and any person or persons claiming through Grantee as to any rights hereunder.

G. Execution. If Grantee shall fail to execute this Agreement, either manually with a paper document, or through the online grant agreement procedure with the Company's designated broker–dealer, and, if manually executed, return the executed original to the Secretary of the Company, the Award shall be null and void. The choice of form will be at the Company's discretion.

IN WITNESS WHEREOF, Company has caused this Agreement to be executed on its behalf by its duly authorized officer, and Grantee has executed this Agreement, each as of the day first above written.

"Company"

ATTEST:

HUMANA INC.

BY: _____
[Name]
[Title]

BY: _____
[Name]
[Title]

"Grantee"

_____
[Name]

Exhibit 12

Humana Inc.
Computation of Ratio of Earnings to Fixed Charges

	For the six months ended June 30, 2009	For the twelve months ended December 31,				
		2008	2007	2006	2005	2004
	(Dollars in thousands)					
Income before income taxes	$733,712	$ 992,848	$ 1,289,300	$762,085	$ 402,880	$399,378
Fixed charges	79,723	127,917	109,266	98,045	66,434	49,246
Total earnings	$813,435	$1,120,765	$1,398,566	$ 860,130	$469,314	$ 448,624
Interest charged to expense	$ 53,346	$ 80,289	$ 68,878	$ 63,141	$ 39,315	$ 23,172
One-third of rent expense	26,377	47,628	40,388	34,904	27,119	26,074
Total fixed charges	$ 79,723	$ 127,917	$ 109,266	$ 98,045	$ 66,434	$ 49,246
Ratio of earnings to fixed charges (1)(2)	10.2x	8.8x	12.8x	8.8x	7.1x	9.1x

Notes

(1) For the purposes of determining the ratio of earnings to fixed charges, earnings consist of income before income taxes and fixed charges. Fixed charges include gross interest expense, amortization of deferred financing expenses and an amount equivalent to interest included in rental charges. One-third of rental expense represents a reasonable approximation of the interest amount.

(2) There are no shares of preferred stock outstanding.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Michael B. McCallister, principal executive officer of Humana Inc., certify that:

1. I have reviewed this Quarterly Report of Humana Inc. (the "Company") on Form 10-Q for the period ending June 30, 2009;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2009

Signature: /s/ Michael B. McCallister

Michael B. McCallister
Principal Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, James H. Bloem, principal financial officer of Humana Inc., certify that:

1. I have reviewed this Quarterly Report of Humana Inc. (the "Company") on Form 10-Q for the period ending June 30, 2009;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2009

Signature: /s/ James H. Bloem

James H. Bloem
Principal Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Humana Inc. (the "Company") on Form 10-Q for the period ending June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Humana Inc., that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael B. McCallister

Michael B. McCallister
Principal Executive Officer

August 3, 2009

/s/ James H. Bloem

James H. Bloem
Principal Financial Officer

August 3, 2009

A signed original of this written statement required by Section 906 has been provided to Humana Inc. and will be retained by Humana Inc. and furnished to the Securities and Exchange Commission or its staff upon request.