

Report of the Examination of  
Humana Insurance Company  
Louisville, Kentucky  
As of December 31, 2020

## TABLE OF CONTENTS

	<b>Page</b>
I. INTRODUCTION .....	1
II. HISTORY AND PLAN OF OPERATION.....	4
III. MANAGEMENT AND CONTROL.....	7
IV. AFFILIATED COMPANIES.....	9
V. REINSURANCE.....	16
VI. FINANCIAL DATA .....	18
VII. SUMMARY OF EXAMINATION RESULTS.....	29
VIII. CONCLUSION.....	31
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS .....	32
X. ACKNOWLEDGMENT.....	33
XI. SUBSEQUENT EVENTS.....	34



April 4, 2022

Honorable Nathan Houdek  
Commissioner of Insurance  
State of Wisconsin  
125 South Webster Street  
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

HUMANA INSURANCE COMPANY  
Louisville, Kentucky

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Humana Insurance Company (HIC or the company) was conducted in 2016 as of December 31, 2015. The current examination covered the intervening period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of affiliated companies domiciled in Arkansas, Florida, Georgia, Illinois, Louisiana, Michigan, Ohio, Pennsylvania, Tennessee, Texas, Utah, and Washington, with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives of Arkansas, Florida, Georgia, Illinois, Louisiana, Michigan, Ohio, Pennsylvania, Tennessee, Texas, Utah, and Washington participated in the examination, and their work was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks

(including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

#### **Independent Actuary's Review**

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance (OCI). The actuary reviewed the unpaid claims liability, unpaid claims adjustment expense, aggregate health policy reserves, aggregate health claims reserves, premium deficiency reserves, uncollected premiums and agents' balances in the course of collection, accrued retrospective premiums, and health receivables. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

#### **Investment Review**

The Capital Markets Bureau of the NAIC was engaged by OCI to review the company's invested assets portfolio as of December 31, 2020. The results of that review were reported to the

examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the review.

## II. HISTORY AND PLAN OF OPERATION

Humana Insurance Company is a Wisconsin-domiciled life and health insurer authorized to conduct insurance business pursuant to ch. 611, Wis. Stat. The company was initially organized on December 18, 1968, under the name Classified Life Insurance Company (CLIC). CLIC was acquired by Wisconsin Employers Group, Inc. (WEG) in 1977 and the name of the company was changed to Wisconsin Employers Insurance Company. Ownership and control of WEG was acquired by the American Express group in 1983, and the name of the company was changed to Fireman's Fund Employers Insurance Company effective May 25, 1983.

Lincoln National Corporation (LNC) purchased WEG in 1986, and on December 19, 1986, the name of the company was changed to Employers Health Insurance Company (EHIC). WEG held 11.3% of EHIC capital stock, and Lincoln National Life Insurance Company directly held 88.7% of EHIC capital stock and 100% of the capital stock of WEG. Effective March 15, 1994, LNC transferred ownership and control of WEG and EHIC to Empheys Financial Group, Inc. (EFG) which was established by LNC as an insurance holding company subsidiary. Approximately 60% of EFG capital stock was subsequently sold to investors through registered public stock offerings. In March 1995, LNC's ownership interest in EFG had decreased to 29%, which was transferred to the LNC subsidiary, American States Insurance Company.

Humana Inc. (Humana) acquired ownership and control of EHIC effective October 13, 1995, upon Humana's acquisition and merger of EFG with HEW, Inc., a wholly owned subsidiary of Humana Inc. EFG was the surviving legal entity from the merger of EFG and HEW, Inc. The company was owned 88.7% by EFG and 11.3% by WEG through June 30, 2002.

Effective December 31, 2001, Humana Insurance Company, a then-existing Missouri-domiciled life and health insurance subsidiary of Humana Inc., merged into EHIC. EHIC subsequently changed its name to Humana Insurance Company, the name presently used by the company. Effective June 30, 2002, WEG was merged into EFG, and EFG was merged into CareNetwork, Inc., a Humana subsidiary holding company, resulting in HIC becoming a wholly owned subsidiary of CareNetwork, Inc.

The company is licensed in the District of Columbia and in all state jurisdictions except New York. In addition, the company is licensed in American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands.

In 2020, the company collected direct premium in the following states:

Texas	\$5,514,240,088	19.0%
Florida	2,268,259,408	7.8
Kentucky	1,816,503,941	6.3
Georgia	1,699,502,151	5.9
Alabama	1,430,388,419	4.9
Ohio	1,369,643,464	4.7
Minnesota	1,334,120,148	4.6
West Virginia	1,186,398,921	4.1
Virginia	982,718,674	3.4
Indiana	963,754,019	3.3
Michigan	859,944,539	3.0
Illinois	799,506,748	2.8
Wisconsin	761,509,018	2.6
All Others	<u>12,351,153,384</u>	<u>27.6</u>
Total	<u>\$28,970,209,924</u>	<u>100.0%</u>

The company offers coordinated health and pharmacy insurance coverage and related services through a variety of plans for government-sponsored programs, individual plans, and commercial employer groups. Under the company's federal government contracts with the Centers for Medicare & Medicaid Services (CMS), the company provides health and pharmacy insurance coverage to Medicare eligible members. The company's preferred provider organization (PPO) products are marketed primarily to employer groups (commercial). The company also offers an administrative service only product to those who self-insure their employee health plans. Until exiting the individual market in 2018, the company offered the HumanaOne product to the individual major medical and individual markets. Until 2018, the company offered health insurance as a Qualified Health Plan insurer on the individual market public exchanges in 22 states through the Affordable Care Act (ACA). HIC exited the ACA individual market effective January 1, 2018.

The company provides a broad range of products including group health and group life insurance coverage, dental and disability income insurance primarily to employers, administrative services only and health insurance coverage to medium and large employers, flexible benefit services to employers of all sizes, and purchasing pool marketing and administration to governmental and private

organizations. The company exited the individual commercial business in some states during 2017 and fully exited the market effective January 1, 2018.

The following chart is a summary of premium income as reported by the company in 2020. The growth of the company is discussed in the "Financial Data" section of this report.

**Premium Income**

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Comprehensive (hospital and medical)	\$ 1,111,598,342	\$	\$	\$ 1,111,598,342
Medicare supplement	452,216,715		7,639	452,209,076
Dental only	479,701,516			479,700,516
Vision only	125,840,120			125,840,120
Federal employees health benefit plan	45,169,501			45,169,501
Title XVIII - Medicare	23,622,764,566			23,622,764,566
Other Health	3,084,865,768		1,471,075	3,083,394,693
Life	<u>48,054,394</u>	<u>4,005</u>	<u>48,058,399</u>	<u>48,054,394</u>
Total All Lines	<u>\$28,970,209,924</u>	<u>\$4,005</u>	<u>\$49,537,113</u>	<u>\$28,920,676,815</u>



### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of three members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Each member of the company's board of directors is a senior executive of the ultimate parent, Humana Inc., and is a member of other boards of directors in the holding company group

Currently, the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Bruce Dale Broussard Louisville, Kentucky	President & Chief Executive Officer Humana Inc.	2022
Joseph Matthew Ruschell Louisville, Kentucky	Associate Vice President, Assistant General Counsel & Corporate Secretary Humana Inc.	2022
Timothy Alan Wheatley Louisville, Kentucky	Segment President, Retail Humana Inc.	2022

#### Officers of the Company

Each senior executive officer of Humana Insurance Company is also a senior executive officer of Humana Inc. and also serves as an officer in other legal entities within the holding company group. The HIC senior officers serving at the time of this examination are as follows:

<b>Name</b>	<b>Office</b>
Bruce Dale Broussard	President and Chief Executive Officer
Brian Andrew Kane	Chief Financial Officer <sup>1</sup>
Susan Marie Diamond	Chief Financial Officer <sup>2</sup>
Alan James Bailey	Vice President and Treasurer
Joseph Matthew Ruschell	Associate Vice President, Assistant General Counsel and Corporate Secretary
Vanessa Marie Olson	Senior Vice President and Chief Actuary
Susan Draney Schick	Segment President, Group and Military Business
Timothy Alan Wheatley	Segment President, Retail

---

<sup>1</sup> Mr. Kane retired effective June 1, 2021.

<sup>2</sup> Ms. Diamond was elected as interim Chief Financial Officer until her election to Chief Financial Officer effective June 28, 2021.

## **Committees of the Board**

The company's bylaws allow for the formation of certain committees by the board of directors. The committees of the ultimate parent company, Humana Inc., perform comprehensive corporate governance oversight on behalf of each Humana Inc. operating subsidiary including Humana Insurance Company. The Humana Inc. board of directors has the following committees: Audit; Executive; Investment; Nominating, Governance & Sustainability; Organization & Compensation; and Technology. Composition of the board committees at the time of the examination are listed below:

### **Audit Committee**

Frank A. D'Amelio, Chair  
Raquel C. Bono, M.D.  
John W. Garratt  
William J. McDonald

### **Executive Committee**

Bruce Dale Broussard, Chair  
Kurt J. Hilzinger  
David A. Jones Jr.

### **Investment Committee**

John W. Garratt, Chair  
William J. McDonald  
James J. O'Brien  
Marissa T. Peterson

### **Organization & Compensation Committee**

James J. O'Brien, Chair  
Wayne A.I. Frederick, M.D.  
David A. Jones Jr.  
Jorge S. Mesquita

### **Nominating, Governance & Sustainability Committee**

David A. Jones, Jr., Chair  
Frank A. D'Amelio,  
Karen W. Katz

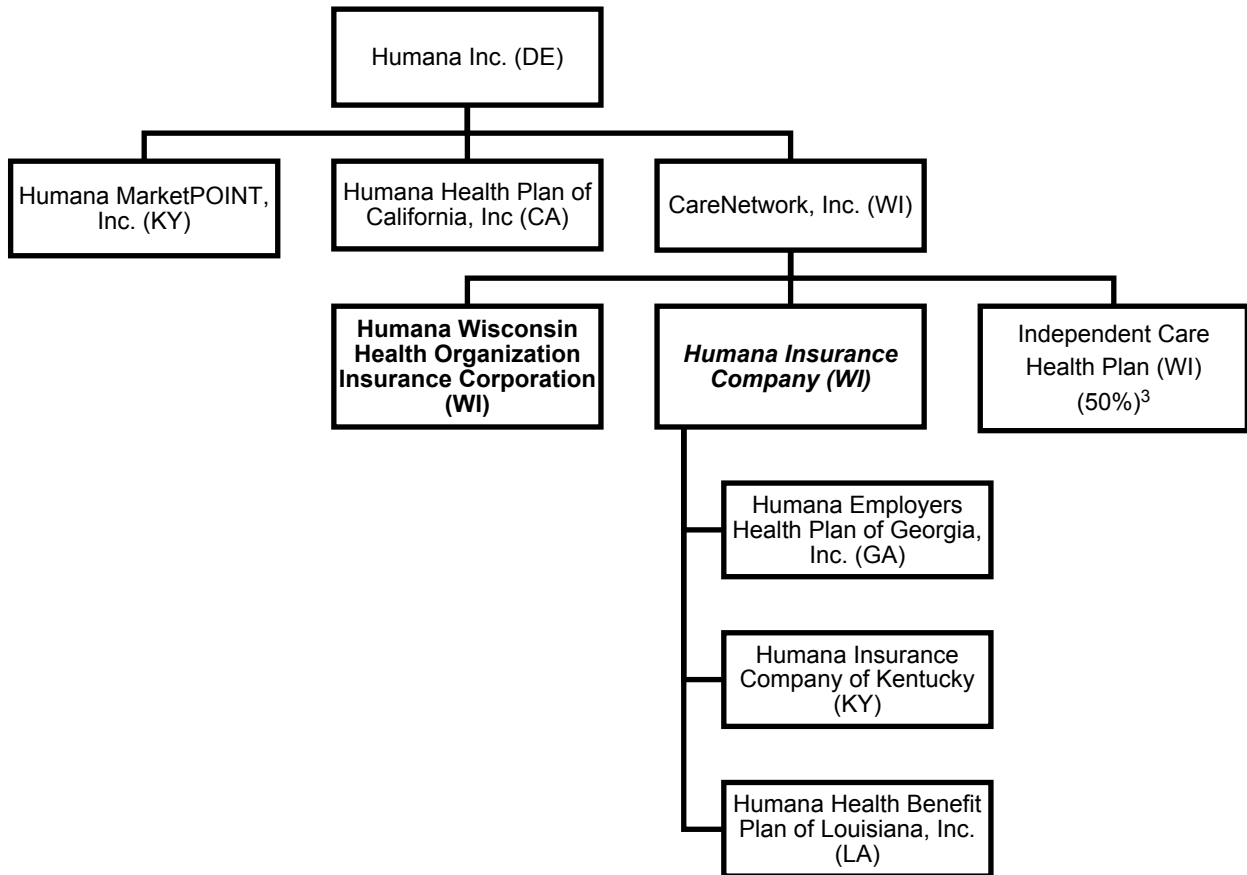
### **Technology Committee**

Marissa T. Peterson, Chair  
Raquel C. Bono, M.D.  
Wayne A.I. Frederick, M.D.  
Karen W. Katz  
Marcy S. Klevorn

#### IV. AFFILIATED COMPANIES

Humana Insurance Company is a member of a holding company system. The ultimate parent is Humana Inc. The holding company consists of 34 insurance companies operating in 18 states and Puerto Rico. The abbreviated organizational chart below depicts the relationships among the affiliates in the direct succession of control of the company. A brief description of affiliates deemed significant follows the organizational chart.

**Organizational Chart  
As of December 31, 2020**



<sup>3</sup>Until 2021, CareNetwork, Inc., owned 50% and Centers for Independence, Inc., owned 50%.

**Humana Inc.**

Humana Inc. is an insurance holding company that provides indemnity insurance, managed health care insurance, and specialty service products through the operations of its subsidiary companies. Humana Inc. is a Delaware corporation incorporated on July 27, 1964. Humana products are offered primarily through subsidiary life and health indemnity insurers, health maintenance organizations (HMO), and preferred provider organizations, and are marketed for employer groups, government benefit programs, and individuals.

As of December 31, 2020, the GAAP basis audited financial statements of Humana Inc. reported total assets of \$34,969.0 million, total liabilities of \$21,241.0 million, and total stockholders' equity of \$13,728.0 million. Operations for 2020 produced a net income of \$3,367.0 million.

**Humana MarketPOINT, Inc.**

Humana MarketPOINT, Inc. is a Kentucky corporation that provides marketing and manages general agent services for the insurers within the Humana Inc. holding company.

As of December 31, 2020, the GAAP basis unaudited, non-consolidated financial statements of Humana MarketPOINT, Inc. reported total assets of \$79.7 million, total liabilities of \$83.5 million, and total stockholders' equity of \$(3.8) million. Operations for 2020 produced a net loss of \$0.8 million.

**Humana Health Plan of California, Inc.**

Humana Health Plan of California, Inc. (HHP-CA) is a California-domiciled health maintenance organization and is licensed to sell health plan products in the state of California under the Knox-Keene Health Services Plan Act of 1975. HHP-CA offers coordinated health and pharmacy insurance coverage and related services through a variety of plans for government-sponsored programs and employer groups.

As of December 31, 2020, the statutory basis audited financial statements of HHP-CA reported total admitted assets of \$31.1 million, total liabilities of \$14.7 million, and capital and surplus of \$16.4 million. Operations for 2020 produced net loss of \$0.2 million.

**CareNetwork, Inc.**

CareNetwork, Inc. is a non-operating intermediate holding company, domiciled in Wisconsin, which holds the assets of certain Humana operating subsidiaries. CareNetwork, Inc. holdings include the

Wisconsin-domiciled insurers Humana Insurance Company and Humana Wisconsin Health Organization Insurance Corporation.

As of December 31, 2020, the GAAP basis unaudited, non-consolidated financial statements of CareNetwork, Inc., reported total assets of \$281.9 million, total liabilities of \$8.6 million, and total stockholders' equity of \$273.3 million. Operations for 2020 produced a net loss of \$0.02 million.

#### **Humana Wisconsin Health Organization Insurance Corporation**

Humana Wisconsin Health Organization Insurance Corporation (Humana WHO) was incorporated in Wisconsin in 1985 as a health maintenance organization under the name Wisconsin Health Organization Insurance Corporation (WHO). Humana Inc. acquired Humana WHO on December 20, 1994, and the name Wisconsin Health Organization Insurance Corporation was changed to Humana Wisconsin Health Organization Insurance Corporation. Humana WHO provides coordinated health insurance coverages and services primarily to employer groups through product options that include HMO and PPO products.

As of December 31, 2020, the statutory basis audited financial statements of Humana WHO reported total admitted assets of \$896.9 million, total liabilities of \$480.9 million, and capital and surplus of \$416.1 million. Operations for 2020 produced a net loss of \$104.1 million.

#### **Independent Care Health Plan**

Independent Care Health Plan (iCare) commenced business as a separate entity on June 18, 2003. Until 2021, CareNetwork, Inc. owned 50% and Centers for Independence, Inc. owned 50%. Effective January 1, 2021, CareNetwork Inc. purchased the remaining interest in iCare, resulting in 100% ownership. Members of iCare are all covered under Title XVIII (Medicare) or Title XIX (Medicaid) with a special emphasis on dual-eligible members.

As of December 31, 2020, the statutory basis audited financial statements of iCare reported total admitted assets of \$114.3 million, total liabilities of \$51.2 million, and capital and surplus of \$114.3 million. Operations for 2015 produced net income of \$24.9 million.

#### **Humana Employers Health Plan of Georgia, Inc.**

Humana Employers Health Plan of Georgia, Inc. (HEHP-GA) was organized and licensed in Georgia in 1996 as an HMO and commenced operations in 1997. HEHP-GA provides coordinated health

insurance coverages and services primarily to employer groups through product options that include HMOs and preferred provider organizations.

As of December 31, 2020, the statutory basis audited financial statements of HEHP-GA reported total admitted assets of \$513.4 million, total liabilities of \$267.4 million, and capital and surplus of \$246.1 million. Operations for 2020 produced a net loss of \$136.2 million.

#### **Humana Insurance Company of Kentucky**

Humana Insurance Company of Kentucky (HIC-KY) is a Kentucky-domiciled life and health insurance company that offers health plan insurance coverages in Kentucky. HIC-KY provides individual indemnity, group life, and Medicare supplement products to insureds in Kentucky and provides stop-loss products to self-insured employers or other groups.

As of December 31, 2020, the statutory basis audited financial statements of HIC-KY reported total admitted assets of \$212.5 million, total liabilities of \$61.5 million, and capital and surplus of \$151.0 million. Operations for 2020 produced a net loss of \$11.5 million.

#### **Humana Health Benefit Plan of Louisiana, Inc.**

Humana Health Benefit Plan of Louisiana, Inc. (HHBP-LA) is a Louisiana-domiciled health maintenance organization formerly known as Ochsner Health Plan, Inc. Ochsner Health Plan, Inc., was acquired by Humana Insurance Company on April 1, 2004, and its name was subsequently changed to Humana Health Benefit Plan of Louisiana, Inc. HHBP-LA is licensed in Louisiana as an HMO and provides coordinated health insurance coverages and services primarily to employer groups through product options that include HMOs and preferred provider organizations.

As of December 31, 2020, the statutory basis audited financial statements of HHBP-LA reported total admitted assets of \$674.3 million, total liabilities of \$329.2 million, and capital and surplus of \$345.1 million. Operations for 2020 produced net income of \$99.4 million.

#### **Agreements with Affiliates**

##### Indemnity Agreement between HIC and Humana Inc.

Humana Insurance Company and Humana Inc. entered into an indemnity agreement on October 12, 1995, whereby Humana Inc. agrees to indemnify HIC from any and all liability or loss that HIC may suffer as a result of HIC's failure to perform its insurance risk obligations in the event that HIC

should become insolvent or otherwise financially incapable of meeting its obligations. Under the agreement, Humana Inc. guarantees continuation of coverage under certificates of coverage issued by HIC for the duration of the contract for which payment has been made, continuation of benefits to HIC members who are confined in an inpatient facility on the date of insolvency until the member's discharge, and payment to providers for services rendered before insolvency and required by HIC's certificates of coverage. Humana also agrees to indemnify HIC and hold harmless HIC from any and all liability and loss that HIC may suffer arising from HIC's provision of administrative services to Humana Inc.

#### Tax Allocation Agreement between HIC and Humana Inc.

Humana Insurance Company and Humana Inc. are parties to a Tax Allocation Agreement with Humana Inc. entered into on December 31, 1996, and amended and restated on January 1, 2016. The agreement provides that Humana Inc. files consolidated tax returns for all of the legal entities in the Humana Inc. holding company group, including HIC. The consolidated tax liability for each year shall be apportioned to Humana Inc. and its subsidiaries based on applicable provisions of the Internal Revenue Code, based on the ratio by which the portion of consolidated tax liability attributable to each respective member of the group bears to the consolidated tax liability. Humana Inc. shall credit to each respective affiliate 100% of the excess of the affiliate's separate return tax liability over its allocated consolidated tax return liability. Humana Inc. is responsible for the preparation and filing of all consolidated tax returns and any other returns or documents required to be filed with the Internal Revenue Service.

Effective January 1, 2016, this agreement was amended and restated to update the settlement of intercompany balances within Humana from 90 days after the calculation of any federal and state income tax expense to 30 days. In addition, a clause was added for Humana Inc. to indemnify and hold harmless HIC in the event that the Internal Revenue Service levies HIC's assets for any unpaid taxes.

#### Corporate Service Agreement between HIC and Humana Inc.

Humana Insurance Company is party to a Corporate Service Agreement effective January 3, 2007, with Humana Inc. It has been amended on January 1, 2011, and January 1, 2013, for regulatory compliance purposes. Humana Inc. provides services supporting the business operations of HIC, such as payroll, trade accounts payments, broker commissions, medical and product management,

executive management, information systems, financial and legal services, human resource and sales distribution management, and related services. Humana Inc. receives a direct reimbursement for services with direct costs and a pro rata share of costs of shared services and overhead based upon weighted membership. The agreement provides that Humana Inc. collects funds due to HIC in the operation of its business and performs any necessary banking and accounting administrative duties to properly accomplish collections and disbursements of funds on behalf of HIC.

#### Marketing Service Agreement between HIC and MPOINT

A Medicare Risk Marketing Service Agreement effective June 7, 2006, is in force between Humana MarketPOINT, Inc. (MPOINT), HIC, and Humana Inc. as Repository. It was amended January 1, 2011, and January 1, 2013, for regulatory compliance purposes. Under the terms of the agreement, MPOINT provides marketing services including the provision of staff, systems, and related support to HIC in order to market Humana Medicare Risk Products. Fees for services provided under this agreement are outlined in Schedule B of the agreement.

#### Services Agreement between HIC, HHP-CA, and Humana Inc.

A Services Agreement effective January 1, 2010, amended January 1, 2011, and January 1, 2013, is in effect between HIC and Humana Health Plan of California (HHP-CA) with Humana Inc. as the Repository. Under the terms of the agreement, HHP-CA provides HIC certain tax services, including reporting required federal and state tax withholdings for third-party disability payments to individuals and year-end reporting and filing as needed on the state and federal levels.

#### Service Center Service Agreements between HIC, Affiliated Companies, and Humana Inc.

HIC has established separate service center service agreements with 30 affiliated companies, using Humana Inc. as Repository. The agreements provide that HIC will provide the affiliates with one or more health care management services, including claims adjudication and claims processing, customer service, front-end operations, billing and enrollment, utilization review, and other support activities including education and development, financial management, and systems administration. HIC expenses allocated to the recipients of services include general business expenses incurred by HIC in performance of the services. Humana Inc. serves as the Repository under each service center agreement, pursuant to which Humana Inc. shall disburse and collect management fees that are required



by the agreements and shall perform any necessary banking and administrative duties required to accomplish its Repository duties. The company amended this contract in 2011 to reflect changes in the cost allocation model required under the National Association of Insurance Commissioners Model Insurance Holding Company System Regulatory Act and federal health insurance reforms. This amendment also integrated some previously separate affiliate agreements into this agreement.

Humana Insurance Company currently has service center service agreements with the following affiliates as of December 31, 2020:

- Arcadian Health Plan, Inc.
- Cariten Health Plan Inc.
- CHA HMO, Inc.
- CompBenefits Company
- CompBenefits Dental, Inc.
- CompBenefits Insurance Company
- DentiCare, Inc.
- Emphesys Insurance Company
- Humana Benefit Plan of Illinois, Inc.
- Humana Benefit Plan of Texas, Inc. f/k/a Humana Behavioral Health, Inc.
- Humana Dental Concern, Ltd.
- Humana Employers Health Plan of Georgia, Inc.
- Humana Health Benefit Plan of Louisiana, Inc.
- Humana Health Insurance Company of Florida, Inc.
- Humana Health Plan, Inc.
- Humana Health Plan of California, Inc.
- Humana Health Plan of Ohio, Inc.
- Humana Insurance Company of Kentucky
- Humana Insurance Company of New York
- Humana Medical Plan, Inc.
- Humana Medical Plan of Michigan, Inc.
- Humana Medical Plan of Pennsylvania, Inc.
- Humana Medical Plan of Utah, Inc.
- Humana Regional Health Plan, Inc.
- Humana Wisconsin Health Organization Insurance Company
- HumanaDental Insurance Company
- The Dental Concern, Inc.

## V. REINSURANCE

A brief summary of the company's current reinsurance portfolio and strategy at the time of the examination are described below. The company does not engage in material unaffiliated reinsurance transactions. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

### Current Nonaffiliated Ceding Contracts

1. Type: Excess of Loss  
Reinsurer: ManhattanLife Assurance Company of America (MLAC)  
Scope: Conversion Policies  
Retention: First \$10,000 of each Conversion Policy  
Coverage: Individual whole life policies  
Effective date: July 1, 2018  
Termination: Upon the date specified in written notice of termination provided by MLAC where a material breach of the reinsurance agreement remains uncured for 45 days (or 10 days in the case of a material breach) after the company receives written notice of such breach from MLAC. Termination will be on a cut-off basis and no liability for conversion policies will incur subsequent to the effective date of termination. However, upon termination, the company will transfer to MLAC cash in an amount equal to the total SAP reserves that support the unexpired conversion policies as of the effective date of termination of the agreement.
  
2. Type: Coinsurance and Administrative Services Agreement  
Reinsurer: ManhattanLife Assurance Company of America  
Scope: Select Coinsured Policies including:  
Annuity: Active, Annuitized  
Individual: Term Life, Whole Life, Cancer Expense Supplemental, Accident Voluntary, Critical Illness  
Group: Critical Illness, Hospital Indemnity, Cancer Expense  
Retention: \$0  
Coverage: Indemnity coinsurance basis for 100% quota share participation of the Coinsured Risks  
Effective date: January 1, 2018

Termination: Upon the latter of the date on which (i) none of the Coinsured Contracts remains in force with HIC, whether by novation, assumption, cancellation, non-renewal, termination, or natural expiry, (ii) HIC has no further liabilities which constitute coinsured risks, and (iii) no further administrative services in respect of the coinsured contracts are required.

Upon written notice of termination by HIC where there is a material breach of the agreement by the reinsurer that remains uncured for 45 (or 30 days in the case of material breach of the terms of the administration of coinsured contracts or 10 days in the case of a material breach of confidentiality) after the reinsurer receives written notice of such material breach from HIC.

### **Novated Agreement**

In addition to the above current reinsurance agreements, the company is party to a novation agreement dated August 3, 2018, with a retroactive effective date of January 1, 2018. Additional parties to the agreement are Continental General Insurance Company (as successor by operation of law to Kanawha Insurance Company and Kanawha HealthCare Solutions, Inc.) and Hartford Life and Accident Insurance Company (Hartford). HIC reinsurers Continental General Insurance Company (CGIC) on a 100% quota share reinsurance basis assuming the liabilities and obligations arising under the certain policies of CGIC including the short- and long-term disability insurance policies of CGIC that were originally assumed from Hartford effective January 1, 2006.

### **Ceding Reinsurance Agreements in Runoff**

HIC cedes 100% of a closed book of older Long-Term Disability business to UNUM Life Insurance Company of America.

HIC entered into a coinsurance agreement with Humana Insurance Company of Kentucky, whereby HIC ceded, and HIC-KY assumed, 100% quota share of all of HIC's non-health insurance business, including all of its individual and group life, annuity, deposit-type contracts, specified disease, short-term and long-term disability, accident or accidental death and dismemberment, hospital indemnity insurance business, and any other products not included in the Annual Statement Health Test calculation. The effective date of the contract was January 1, 2014. This transaction allowed HIC to qualify to use the NAIC Health Blank instead of the Life Blank.

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2020, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

**Humana Insurance Company**  
**Assets**  
**As of December 31, 2020**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$4,107,067,395	\$	\$4,107,067,395
Stocks:			
Common stocks	742,129,787		742,129,787
Mortgage loans on real estate:			
First liens	8,550,000		8,550,000
Real estate:			
Occupied by the company	10,899,516		10,889,516
Cash, cash equivalents, and short-term investments	1,474,928,132		1,474,928,132
Receivables for securities	35,000		35,000
Investment income due and accrued	24,038,784		24,038,784
Uncollected premiums and agents' balances in course of collection	123,594,186	30,007,654	93,586,532
Accrued retrospective premiums and contracts subject to redetermination	455,018,441		455,018,441
Other amounts receivable under reinsurance contracts	5,812,071	46,125	5,765,945
Amounts receivable relating to uninsured plans	1,129,323,818	37,196	1,129,286,621
Current federal and foreign income tax recoverable and interest thereon	66,243,478		66,243,478
Net deferred tax asset	148,703,029	18,129,081	130,573,948
Guaranty funds receivable or on deposit	10,174,786		10,174,786
Electronic data processing equipment and software	40,208,110	1,592,739	38,615,372
Furniture and equipment, including health care delivery assets	29,254,624	29,254,624	
Receivable from parent, subsidiaries, and affiliates	183,694,631		183,694,631
Health care and other amounts receivable	932,329,858	19,423,192	912,906,666
Write-ins for other than invested assets:			
Prepaid expenses	58,635,442	58,635,442	
Prepaid commissions	45,881,952	45,881,952	
Provider contracts	8,076,583	8,076,583	
Deposits	<u>4,235,855</u>	<u>4,235,855</u>	
<b>Total Assets</b>	<b><u>\$9,608,835,476</u></b>	<b><u>\$215,320,443</u></b>	<b><u>\$9,393,515,033</u></b>

**Humana Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2020**

Claims unpaid		\$2,834,124,811
Accrued medical incentive pool and bonus payments		437,285,169
Unpaid claims adjustment expenses		20,517,307
Aggregate health policy reserves		644,149,128
Aggregate health claim reserves		821,860
Premiums received in advance		154,085,273
General expenses due or accrued		665,708,463
Ceded reinsurance premiums payable		12,213,307
Amounts withheld or retained for the account of others		18,069,696
Remittance and items not allocated		23,857,581
Payable for securities		11,107,280
Funds held under reinsurance treaties with reinsurers		8,351,534
Liability for amounts held under uninsured accident and health plans		182,157,790
Write-ins for other liabilities (including \$1,508,916 current):		
Unclaimed property		5,049,715
Miscellaneous liability		<u>652,298</u>
Total Liabilities		<u>5,018,151,211</u>
Common capital stock	\$ 8,833,336	
Gross paid in and contributed surplus	2,105,092,362	
Unassigned funds (surplus)	<u>2,261,438,125</u>	
Total Capital and Surplus		<u>4,375,363,823</u>
Total Liabilities, Capital, and Surplus		<u>\$9,393,515,033</u>

**Humana Insurance Company  
Statement of Revenue and Expenses  
For the Year 2020**

Net premium income		\$28,920,676,815
Change in unearned premium reserves and reserve for rate credits		<u>(43,492,127)</u>
Total revenues		28,877,184,688
Medical and Hospital:		
Hospital/medical benefits	\$18,111,794,715	
Other professional services	1,112,878,072	
Emergency room and out-of-area	530,505,558	
Prescription drugs	3,103,938,871	
Incentive pool and withhold adjustments	461,388,804	
Subtotal	<u>23,320,506,021</u>	
Less		
Net reinsurance recoveries	<u>1,065,819</u>	
Total medical and hospital	23,319,440,202	
Claims adjustment expenses	1,060,847,924	
General administrative expenses	3,184,891,085	
Increase in reserves for life and accident and health contracts	<u>80,887,629</u>	
Total underwriting deductions		<u>27,646,066,841</u>
Net underwriting gain or (loss)		1,231,117,847
Net investment income earned	292,447,541	
Net realized capital gains or (losses)	<u>738,848</u>	
Net investment gains or (losses)		293,186,388
Net gain or (loss) from agents' or premium balances charged off		
Aggregate write-ins for other income or expenses		<u>1,299,783</u>
Net income or (loss) before federal income taxes		1,525,604,018
Federal and foreign income taxes incurred		<u>398,875,632</u>
Net Income (Loss)		<u>\$ 1,126,728,387</u>

**Humana Insurance Company  
Capital and Surplus Account  
For the Five-Year Period Ending December 31, 2020**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Capital and surplus, beginning of year	\$4,129,404,995	\$3,720,672,880	\$4,184,513,340	\$4,224,739,322	\$3,642,086,042
Net income (loss)	1,126,728,387	1,184,663,404	1,140,036,958	891,705,398	506,068,441
Change in net unrealized capital gains/losses	66,297,981	(121,585,946)	(171,565,548)	18,326,818	352,916,897
Change in net deferred income tax	42,171,191	21,574,734	(50,745,131)	(77,203,573)	(87,047,031)
Change in nonadmitted assets	(39,238,731)	(19,798,152)	(55,990,938)	11,108,106	106,255,353
Surplus adjustments: Paid in		19,984,786	(1,682,512)	46,819,035	32,880,621
Dividends to stockholders	(950,000,000)	(675,000,000)	(1,325,000,000)	(925,000,000)	(364,000,000)
Write-ins for gains and (losses) in surplus:					
Ceding commission on reinsurance		(1,106,711)			
Gain on reinsurance			1,106,711		
Prior period impact of claims dispute				(5,981,766)	
2016 Risk Corridor impact on premium deficiency reserve					59,589,000
Correction of prior year					(24,010,001)
Capital and Surplus, End of Year	<u>\$4,375,363,823</u>	<u>\$4,129,404,995</u>	<u>\$3,720,672,880</u>	<u>\$4,184,513,340</u>	<u>\$4,224,739,322</u>



**Humana Insurance Company  
Statement of Cash Flow  
For the Year 2020**

Premiums collected net of reinsurance		\$28,971,886,654
Net investment income		<u>142,213,600</u>
Total		29,114,100,253
Less:		
Benefit- and loss-related payments	\$22,495,260,427	
Commissions, expenses paid and aggregate write-ins for deductions	4,845,676,342	
Federal and foreign income taxes paid (recovered) net of tax on capital gains (losses)	<u>495,411,398</u>	
Total		<u>27,836,348,167</u>
Net cash from operations		1,277,752,087
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	\$1,546,961,474	
Stocks	177,500,000	
Net gains (losses) on cash, cash equivalents, and short-term investments	10,540	
Miscellaneous proceeds	<u>11,107,280</u>	
Total investment proceeds		1,735,579,294
Cost of Investments Acquired—Long-term Only:		
Bonds	2,079,506,926	
Real estate	338,501	
Miscellaneous applications	<u>25,000</u>	
Total investments acquired		<u>2,079,870,427</u>
Net cash from investments		(344,291,133)
Cash Provided/Applied:		
Dividends to stockholders	950,000,000	
Other cash provided (applied)	<u>(79,627,354)</u>	
Net cash from financing and miscellaneous sources		<u>(1,029,627,354)</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(96,166,401)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>1,571,094,534</u>
End of Year		<u>\$ 1,474,928,132</u>

### Growth of Humana Insurance Company

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2020	\$9,393,515,033	\$5,018,151,211	\$4,375,363,823	\$28,920,676,815	\$23,319,440,202	\$1,126,728,387
2019	7,990,533,957	3,861,128,962	4,129,404,995	26,498,425,853	21,959,581,615	1,184,663,404
2018	7,233,381,293	3,512,708,413	3,720,672,880	24,828,127,074	20,248,602,306	1,140,036,958
2017	8,716,643,649	4,532,130,309	4,184,513,340	22,926,204,703	18,654,290,210	891,705,398
2016	6,870,620,723	2,645,881,401	4,224,739,322	22,996,879,559	18,970,068,291	506,068,441
2015	6,583,312,265	2,941,226,223	3,642,086,042	23,048,895,345	19,387,331,124	421,808,430

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2020	3.9%	80.6%	14.7%	-3.9%
2019	4.5	82.9	12.8	-2.7
2018	4.6	81.6	14.3	2.5
2017	3.9	81.4	13.7	8.9
2016	2.2	82.5	14.3	4.0
2015	1.8	84.1	13.7	5.9

### Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2020	10,114,361	463.59	9.2
2019	10,520,996	467.03	9.1
2018	10,812,821	456.00	9.2
2017	10,554,049	451.39	9.3
2016	9,691,983	479.07	9.2
2015	9,319,079	556.40	9.6

### Per Member Per Month Information

	2020	2019	Percentage Change
<b>Premiums:</b>			
Medicare	\$909.77	\$852.14	6.8%
Commercial	50.45	56.11	-10.1
Other Health	<u>56.63</u>	<u>57.23</u>	-1.0
<b>Expenses:</b>			
Hospital/medical benefits	170.33	152.08	12.0
Other professional services	7.72	6.65	16.2
Emergency room and out-of-area	4.99	4.79	4.2
Prescription Drugs	29.19	27.82	4.9
Incentive pool and withhold adjustments	4.34	3.42	26.8
Less: Net reinsurance recoveries	<u>0.01</u>	<u>0.12</u>	-91.7
Total medical and hospital	216.56	194.64	11.3
Claims adjustment expenses	9.89	8.70	13.7
General administrative expenses	28.76	20.85	37.9
Increase in reserves for accident and health contracts	<u>0.76</u>	<u>(0.03)</u>	-3,085.0
Total underwriting deductions	<u>\$255.98</u>	<u>\$224.17</u>	14.2

Humana Insurance Company is the lead operating entity for Humana Inc., writing almost half of the organization's premiums. Favorable operating results were reported for all the years under examination, with premiums earned increasing 25.5% over the five-year period. Both admitted assets and capital and surplus increased over the examination period increasing 42.7% and 20.1%, respectively.

Effective January 1, 2018, Humana exited the ACA individual market. Despite exiting the ACA individual market in 2018, premiums earned increased 8.3% between 2017 and 2018 and continued to increase steadily each year.

Overall invested assets increased 8.5% from the prior year. This was driven by a 14.8% increase in bonds and a 9.8% increase in common stocks. Bonds increased due to a decision to achieve a higher yield by investing in long-term investments. The increase in common stocks can be attributed to subsidiary performance. The increase in overall invested assets was offset by two dividend payments totaling \$950.0 million. The company paid a dividend in every year during the examination period, for a total of \$4,239.0 million paid during the examination period.

In 2020, the company's medical expense ratio decreased to 80.6%, while its administrative expense ratio increased to 14.7%, resulting in a lower profit margin ratio of 3.9% than the prior year's

profit margin of 4.5%. The resulting net income of \$1,126.7 million declined slightly from the prior year's amount.

**Humana Insurance Company  
Compulsory and Security Surplus Calculation  
December 31, 2020**

Assets			\$9,393,515,033
Less security surplus of insurance subsidiaries			(742,129,787)
Add security surplus of insurance subsidiaries			536,357,112
Less liabilities			<u>(5,018,151,211)</u>
Adjusted surplus			4,169,591,147
Annual premium:			
Individual life and health	\$17,198,045,992		
Factor	<u>15%</u>		
Total		\$2,579,706,898	
Group life and health	9,122,841,415		
Factor	<u>10%</u>		
Total		912,284,141	
All other insurance	2,599,789,408		
Factor	<u>7%</u>		
Total		<u>181,985,258</u>	
Compulsory surplus (subject to a \$2,000,000 minimum)			<u>3,673,976,297</u>
Compulsory Surplus Excess (Deficit)			<u>\$ 495,614,850</u>
Adjusted surplus (from above)			\$4,169,591,147
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)			<u>4,041,373,926</u>
Security Surplus Excess (Deficit)			<u>\$ 128,217,221</u>

**Reconciliation of Capital and Surplus per Examination**

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2020, is accepted.

**Examination Reclassifications**

There were no examination reclassifications as a result of this examination.

## VII. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were two specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Escheat Property—It is recommended that the escheat process be amended to comply with the notification procedure required by s. 177.17 (5), Wis. Stat., and that the company modify and implement its escheat policy to include property valued at \$50 or more in its owner notification process in accordance with s. 177.17 (5) (c), Wis. Stat.

Action—Compliance.

2. Report on Executive Compensation—It is recommended that the company include all direct and indirect compensation in its annual Report on Executive Compensation in accordance with s. 611.63 (4), Wis. Stat.

Action—Compliance.

## **Summary of Current Examination Results**

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

### **Failure to Timely Notify Insurance Commissioners of Data Breaches**

Per OCI Bulletin issued on December 4, 2006, insurers were instructed to provide notification to OCI "of any unauthorized access to personal information of Wisconsin residents as soon as practicable, but no later than 10 days after it has become aware of such unauthorized access." While this bulletin was replaced by Act 73 in July of 2021, it would have been in place when a cybersecurity event occurred and OCI should have been notified within 10 days.

In July 2021, Act 73 was signed into Wisconsin Law requiring licensees to develop an information security program, take certain steps to promptly investigate cybersecurity events, and notify both OCI and consumers when a cybersecurity breach has occurred. Effective November 1, 2021, licensees were expected to meet the requirements as set forth by s. 601.954, Wis. Stat. regarding the notification of a cyber event to OCI. Notification is to be provided "as promptly as possible but no later than three business days from the determination that the cybersecurity event occurred."

A review of the Humana Inc. cybersecurity policy, noted that the corporation has a separate policy for each state in which it is licensed that details the notification requirements rather than including one overarching notification requirement within its corporate cybersecurity policy. The notification requirement included in the separate policy for the state of Wisconsin is that the commissioner be notified no later than three business days from the determination that a cybersecurity event occurred. During the latter part of 2021, the company experienced a cybersecurity event that was not reported to OCI within the required notification timeframe. It is recommended that the company comply with its cybersecurity policy and procedures and state requirements with regard to timely notification of OCI.



## VIII. CONCLUSION

Humana Insurance Company is a Wisconsin-domiciled life and health insurer authorized to conduct insurance business pursuant to ch. 611, Wis. Stat. The company is a wholly owned subsidiary of CareNetwork, Inc., which is a wholly owned subsidiary of Humana Inc. Humana Insurance Company is the lead operating entity for Humana Inc., writing almost half of the organization's premiums.

HIC is licensed in the District of Columbia and in all state jurisdictions except New York. The company provides a broad range of products including group health and group life insurance coverage, dental and disability income insurance primarily to employers, administrative services only and health insurance coverage to medium and large employers, flexible benefit services to employers of all sizes, and purchasing pool marketing and administration to governmental and private organizations. The company exited the individual commercial business in some states during 2017 and fully exited the market effective January 1, 2018.

Favorable operating results were reported for all the years under examination, with premiums earned increasing 25.5% over the five-year period. Both admitted assets and capital and surplus increased over the examination period increasing 42.7% and 20.1%, respectively.

Effective January 1, 2018, Humana exited the ACA individual market. Despite exiting the ACA individual market in 2018, premiums earned increased 8.3% between 2017 and 2018 and continued to increase steadily each year.

Overall invested assets increased 8.5% from the prior year. The increase in overall invested assets was offset by two dividend payments totaling \$950.0 million. The company paid a dividend in every year during the examination period, for a total of \$4,239.0 million paid during the examination period.

The examination determined that the company was in compliance with all of the recommendations made by the previous examination. The current examination resulted in one recommendation. No adjustments were made to surplus or reclassifications to the balance sheet were made as a result of the examination. The amount of surplus reported by the company as of December 31, 2020, is accepted.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

1. Page 30 - Failure to Timely Notify Insurance Commissioners of Data Breaches—It is recommended that the company comply with its cybersecurity policy and procedures and state requirements with regard to timely notification of OCI.

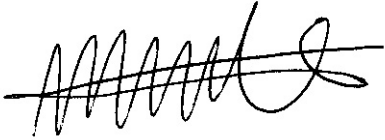
**X. ACKNOWLEDGMENT**

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

<b>Name</b>	<b>Title</b>
Nicholas Barsuli	Insurance Financial Examiner
Jacob Burkett	Insurance Financial Examiner
Nicholas Feyen	Insurance Financial Examiner
Joshua Daggett	Insurance Financial Examiner-Advanced
James Krueger	Data Specialist
David Jensen, CFE	IT Specialist
Eleanor Lu, CISA	IT Specialist
Karl Albert, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Marisa K. Rodgers  
Examiner-in-Charge

## **XI. SUBSEQUENT EVENTS**

On March 19, 2021, the company requested to pay an extraordinary dividend to Humana Inc. of \$750,000,000. The company received approval from OCI to pay the dividend on March 29, 2021, and on April 20, 2021, the dividend was paid.

On August 17, 2021, the Humana Inc. Holding Company completed its purchase of the Kindred at Home (KAH) by acquiring the remaining 60% interest from TPG Capital and Welsh, Carson, Anderson & Stowe, two private equity funds, for an enterprise value of \$8.2 billion (which included Humana's equity value of \$2.4 billion that represented the 40% minority ownership interest). Humana paid a transaction price of \$5.8 billion. The transaction price was net of their existing equity stake, through a combination of debt financing, the assumption of existing KAH indebtedness, and parent company cash. As a result of the acquisition, a \$1.1 billion gain was recognized as net other income as a result of the acquisition and remeasurement to fair value of the previously held 40% equity method investment with a carrying value of \$1.3 billion.

This acquisition expanded the group's home solutions business segment. Kindred at Home is a home health and hospice provider and has locations in 40 states, providing extensive geographic coverage for approximately 65% of the individual Medicare Advantage membership.