



**HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE**

**Preferred Health Partnership of Tennessee, Inc.**

NAIC Group Code 0119 (Current Period) , 1253 (Prior Period) NAIC Company Code 95749 Employer's ID Number 62-1546662

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

Country of Domicile United States

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Dental Service Corporation [ ]  
 Vision Service Corporation [ ] Other [ ] Health Maintenance Organization [ X ]  
 Hospital, Medical & Dental Service or Indemnity [ ] Is HMO, Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized 01/01/1994 Commenced Business 01/01/1994

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

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

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

Primary Location of Books and Records 500 West Main Street  
(Street and Number) Louisville, KY 40202 502-580-1000  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.humana.com

Statutory Statement Contact Cathy Staebler 502-580-2712  
(Name) (Area Code) (Telephone Number) (Extension)  
cstaebler@humana.com 502-580-2099  
(E-mail Address) (FAX Number)

**OFFICERS**

Name	Title	Name	Title
<u>Michael Benedict McCallister #</u>	<u>President &amp; CEO</u>	<u>Joan Olliges Lenahan #</u>	<u>Vice President &amp; Secretary</u>
<u>James Harry Bloem #</u>	<u>Sr. VP, CFO &amp; Treasurer</u>	<u>Frank Murray Amrine #</u>	<u>Appointed Actuary</u>

**OTHER OFFICERS**

<u>George Andreas Andrews M.D. #</u>	<u>VP - CMO/Tennessee</u>	<u>George Grant Bauernfeind #</u>	<u>Vice President</u>
<u>John Gregory Catron #</u>	<u>Vice President</u>	<u>Douglas Edward Haaland #</u>	<u>Mkt. Pres. - Sr. Prod./Tennessee</u>
<u>Thomas Joseph Liston #</u>	<u>Sr. Vice President - Sr. Prod.</u>	<u>Clarence Evans Looney #</u>	<u>Market President - Tennessee</u>
<u>Kathleen Stephenson Pellegrino #</u>	<u>Vice President &amp; Asst. Secretary</u>	<u>George Renaudin #</u>	<u>VP &amp; Div. Leader - Southern Div.</u>
<u>Larry Dale Savage #</u>	<u>Reg. CEO - IN/KS/KY/MO/OH/TN</u>	<u>William Joseph Tait #</u>	<u>Vice President</u>
<u>Gary Dean Thompson #</u>	<u>Vice President</u>	<u>Ralph Martin Wilson #</u>	<u>Vice President</u>

**DIRECTORS OR TRUSTEES**

<u>James Harry Bloem #</u>	<u>Michael Benedict McCallister #</u>	<u>James Elmer Murray #</u>
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State of .....Kentucky.....

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County of .....Jefferson.....

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Michael Benedict McCallister  
President & CEO

Joan Olliges Lenahan  
Vice President & Secretary

James Harry Bloem  
Sr. VP, CFO & Treasurer

Subscribed and sworn to before me this

13th day of April, 2009

Myra Carpenter  
Notary Public  
August 9, 2009

- a. Is this an original filing? Yes [ ] No [ X ]
- b. If no,
1. State the amendment number 1
2. Date filed 04/13/2009
3. Number of pages attached 1

**NOTES TO FINANCIAL STATEMENTS**

I. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Insurance.

The Tennessee Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Tennessee for determining and reporting the financial condition and results of operations of an insurance Company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Tennessee. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices. No deviations exist.

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

	State of Domicile		2008		2007
1. Net Income, Tennessee basis	TN	\$	5,184,195	\$	2,755,259
2. State Prescribed Practices (Income):	TN		-		-
3. State Permitted Practices (Income):	TN		-		-
4. Net Income, NAIC SAP	TN	\$	5,184,195	\$	2,755,259
5. Statutory Surplus, Tennessee basis	TN	\$	44,681,797	\$	39,149,233
6. State Prescribed Practices (Surplus):	TN		-		-
7. State Permitted Practices (Surplus):	TN		-		-
8. Statutory Surplus, NAIC SAP	TN	\$	44,681,797	\$	39,149,233

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. These estimates are based on knowledge of current events and anticipated future events, and accordingly, actual results could differ from those estimates.

C. Accounting Policy

Short-term investments include investments mainly in U.S. Government obligations with a maturity of twelve months or less from the date of purchase. Short-term investments are recorded at amortized cost. The carrying value of short-term investments approximates fair value due to the short-term maturities of the investments.

Investments are valued and classified in accordance with methods prescribed by the NAIC. Bonds with an NAIC rating of 1 or 2 are carried at amortized cost, with all other bonds being recorded at the lower of amortized cost or fair value.

The Company regularly evaluates investment securities for impairment. The Company considers factors affecting the investee, factors affecting the industry the investee operates within, and general debt and equity market trends. The Company also considers the length of time an investment's fair value has been below carrying value, the near term prospects for recovery to carrying value, and the Company's intent and ability to hold the investment until maturity or market recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other-than-temporary, the related investment is written down to its estimated fair value through earnings.

Amortization of bond premium or discount is computed using the scientific interest method.

Income from investments is recorded on an accrual basis. For the purpose of determining realized gains and losses, the cost of securities sold is based upon specific identification. Investment income due and accrued over 90 days past due is nonadmitted.

The Company recognizes an asset or liability for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. The temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled.

Premiums are reported as earned in the period in which members are entitled to receive services, and are net of retroactive membership adjustments. Retroactive membership adjustments result from enrollment changes not yet processed, or not yet reported by an employer group or the government. Premiums received prior to such period are recorded as advance premiums.

Benefits incurred and loss adjustment expenses include claim payments, capitation payments, pharmacy costs net of rebates, allocations of certain centralized expenses, legal and administrative costs to settle claims, and various other costs incurred to provide health insurance coverage to members, as well as estimates of future payments to hospitals and others for medical care provided prior to the date of the statements of admitted assets, liabilities and surplus. Capitation payments represent monthly contractual fees disbursed to participating primary care physicians, and other providers who are responsible for providing medical care to members. Pharmacy costs represent payments for members' prescription drug benefits, net of rebates from drug manufacturers.

The estimates of future medical benefit payments are developed using actuarial methods and assumptions based upon claim payment patterns, medical cost inflation, historical development such as claim inventory levels and claim receipt patterns, and other relevant factors. Corresponding administrative costs to process outstanding claims are estimated and accrued. Estimates of future payments relating to services incurred in the current and prior periods are continually reviewed by management and adjusted as necessary.

The Company assesses the profitability of its contracts for providing health insurance coverage to its members when current operating results or forecasts indicate probable future losses. The Company records a premium deficiency liability in current