

HUMANA INC
Form DEF 14A
March 09, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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Humana Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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(3) Filing Party:

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March 9, 2010

Dear Fellow Stockholders:

We would like to invite you to attend the Annual Meeting of Stockholders of Humana Inc. to be held on Tuesday, April 20, 2010, at 10:00 a.m., EDT at the Company's headquarters, 500 West Main Street, 25th Floor Auditorium, Louisville, Kentucky and to be web cast via the Internet at the Investor Relations section of the Company's web site at www.humana.com, Investor Relations section. This Proxy Statement contains information about our Company and the two proposals to be voted upon by stockholders at the meeting. Please give this information your careful attention.

This year, we will once again be taking advantage of Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. These materials will be available on the Internet on March 9, 2010. We continue to believe that Internet delivery of our proxy materials allows us to provide our stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting.

We hope you can attend the meeting. However, if you are unable to join us, we urge you to exercise your right as a stockholder and vote. The vote of every stockholder is important.

This Proxy Statement is being mailed or transmitted on or about March 9, 2010 to the Company's stockholders of record as of February 26, 2010.

Sincerely,

David A. Jones, Jr.

Chairman of the Board and

Significant Stockholder

Michael B. McCallister

Director, President,

Chief Executive Officer

and Significant Stockholder

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Humana Inc.

March 9, 2010

Notice of Annual Meeting of Stockholders

Tuesday, April 20, 2010

10:00 a.m., EDT

Humana Building

25th Floor Auditorium

500 West Main Street

Louisville, Kentucky 40202

AGENDA

1. Elect eleven (11) directors;
2. Ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2010; and
3. Transact any other business properly brought before the meeting.
Stockholders of record at the close of business on February 26, 2010 will be entitled to vote.

Your vote is important so that as many Shares as possible will be represented. Please vote by one of the following methods:

BY INTERNET

BY TELEPHONE

BY RETURNING YOUR PROXY CARD (if you elected to receive printed materials)
(see instructions on proxy card or at the voting site).

By Order of the Board of Directors,

Joan O. Lenahan

Vice President and Corporate Secretary

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FREQUENTLY ASKED QUESTIONS

1. Q: When will this Proxy Statement be transmitted to stockholders?

A: This Proxy Statement is being transmitted on or about March 9, 2010 to stockholders of record as of February 26, 2010. Our Board of Directors has made these materials available to you on the Internet or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the Board's solicitation of proxies on behalf of the Company for use at our 2010 Annual Meeting of Stockholders.

2. Q: When and where is the annual meeting?

A: The Annual Meeting will be held on Tuesday, April 20, 2010 at 10:00 a.m. EDT at 500 W. Main Street, Louisville, Kentucky 40202 at The Humana Building, 25th Floor Auditorium.

3. Q: Who is entitled to vote?

A: Anyone who owns Humana Inc. common stock, which we refer to as Shares, as of the close of business on February 26, 2010, which we refer to as the Record Date, is entitled to vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting.

4. Q: How many Shares are eligible to vote?

A: As of the Record Date, February 26, 2010, 170,130,985 Shares of Company common stock were outstanding and entitled to vote. Every stockholder is entitled to one vote for each Share held.

5. Q: What am I voting on?

A: You are being asked to:

- 1) Elect eleven (11) individuals to serve on the Board of Directors of the Company, which we refer to as the Board or the Board of Directors; and
- 2) Ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2010. The Board of Directors is not aware of any other matters to be presented for action at the Annual Meeting. However, if other matters are presented for a vote, the proxies will be voted for these matters in accordance with the judgment of the persons acting under the proxies.

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6. Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

A: Pursuant to rules adopted by the U.S. Securities and Exchange Commission, or the SEC, we have elected to provide access to our proxy materials over the Internet. We believe that Internet delivery of our proxy materials allows us to provide our stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials, which we refer to as the Notice, to our stockholders and beneficial owners as of the Record Date. All stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found on the Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis by calling Broadridge Financial Solutions, Inc., or Broadridge, at 1-800-579-1639.

7. Q: How can I get electronic access to the proxy materials?

A: The Notice provides you with instructions regarding how to:

View our proxy materials for the Annual Meeting on the Internet; and

Instruct us to send our future proxy materials to you electronically by e-mail.

Choosing to receive your future proxy materials by e-mail will save us the cost of printing and mailing documents to you and will reduce the impact of our Annual Meetings on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

8. Q: How does the Board recommend I vote on each proposal?

A: The Board recommends that you vote your Shares as follows:
Proposal 1- **FOR** each of the director nominees; and

Proposal 2- **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2010.

All Shares of Company common stock that are represented at the Annual Meeting by properly executed proxies received before or at the Annual Meeting and not revoked will be voted at the Annual Meeting in accordance with the instructions indicated in the proxies.

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9. Q: How will my shares be voted if I do not specify how they should be voted?

A: If you sign and return your proxy card without indicating how you want your Shares to be voted, our representatives will vote your Shares as follows:

Proposal 1- **FOR** each of the director nominees; and

Proposal 2- **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2010.

10. Q: What if my Shares are not registered in my name?

A: If you own your Shares in street name, meaning that your bank, broker or other nominee is actually the record owner, you should receive the Notice from your bank, broker or other nominee. In addition, stockholders may request, by calling Broadridge at 1-800-579-1639, to receive proxy materials in printed form by mail, or electronically by e-mail on an ongoing basis. When you own your Shares in street name, you are deemed a beneficial owner or holder for voting purposes.

If you hold Shares through an account with a bank, broker or other nominee, your Shares may not be voted with respect to certain proposals, including the election of directors, if you do not provide voting instructions on your instruction form. Banks, brokers and other nominees have the authority under the regulations of the New York Stock Exchange, or the NYSE, to vote shares for which their customers do not provide voting instructions on certain routine matters, including the ratification of the appointment of the Company's independent registered public accounting firm. On July 1, 2009, the SEC approved a proposed NYSE rule that eliminated broker discretionary voting in uncontested director elections, which had been permitted in previous years. Therefore, your Shares will not be voted with respect to the proposal to elect the Company's Board of Directors if you do not provide voting instructions on your instruction form.

11. Q: What is a broker non-vote ?

A: A broker non-vote occurs when a nominee holding Shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. As discussed above, if you hold Shares through a bank, broker or other nominee and do not provide voting instructions to your bank, broker or other nominee, your Shares may not be voted with respect to certain proposals, such as the election of directors. Therefore, we expect to have broker non-votes at the Annual Meeting with respect to Proposal 1 (election of the Company's Board of Directors), but do not expect to have any broker non-votes with respect to Proposal 2 (ratification of the appointment of PricewaterhouseCoopers LLP).

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12. Q: What is a quorum ?

A: A quorum is a majority of the outstanding Shares. Shares may be voted at the Annual Meeting by a signed proxy card, by telephone instruction, or electronically on the Internet. There must be a quorum for the Annual Meeting to be held. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether a quorum exists.

13. Q: How do I vote?

A: There are four ways that you can vote your Shares. Voting by any of these methods will supercede any prior vote you made regardless of how that vote was made. **PLEASE CHOOSE ONLY ONE OF THE FOLLOWING:**

1) **By Internet.** The web site for voting is at <http://www.ProxyVote.com>.

In order to vote on the Internet, you need the control number on your Notice card. Each stockholder has a unique control number so we can ensure all voting instructions are genuine and prevent duplicate voting. The Internet voting system is available 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on Monday, April 19, 2010.

Once you are logged on the Internet voting system, you can record and confirm (or change) your voting instructions. If you use the Internet voting system, you do not need to return your proxy card.

2) **By telephone.** If you are a registered holder in the United States or Canada, you should call 1-800-690-6903. The telephone voting system is available 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on Monday, April 19, 2010.

In order to vote by telephone, you need the control number on your proxy card. Each stockholder has a unique control number so we can ensure all voting instructions are genuine and prevent duplicate voting.

Once you are logged on the telephone voting system, a series of prompts will tell you how to record and confirm (or change) your voting instructions. If you use the telephone voting system, you do not need to return your proxy card.

3) **By mail.** Mark your voting instructions, sign and date the proxy card and then return it in the postage-paid envelope provided. If you mail your proxy card, we must receive it before 10:00 a.m. Eastern Time on Tuesday, April 20, 2010, the day of the Annual Meeting.

If you are returning your proxy card to Broadridge, they must receive it before 10:00 a.m. Eastern Time on Monday, April 19, 2010, the day before the Annual Meeting.

4) **In person.** Attend the Annual Meeting. Mark your voting instructions and deliver to the Inspectors of Election. However, you can vote by methods 1, 2 or 3 above prior to the meeting and still attend the Annual Meeting. In all cases, a vote at the Annual Meeting will revoke any prior votes. Please note that if your Shares are held through a bank or broker, you will need to bring proof of ownership to the Annual Meeting in order to vote.

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14. Q: How do I vote the share equivalent units held in the Humana Common Stock Fund of the Humana Retirement and Savings Plan or the Humana Puerto Rico 1165(e) Retirement Plan?

A: If you have an interest in the Humana Common Stock Fund of the Humana Retirement & Savings Plan or the Humana Puerto Rico 1165(e) Retirement Plan on the Record Date, you may vote. Under the Humana Retirement & Savings Plan and the Humana Puerto Rico 1165(e) Retirement Plan, your voting rights are based on your interest in the amount of money you and the Company have invested in your Humana Common Stock Fund.

You may exercise these voting rights in almost the same way that stockholders may vote their Shares, but you have an earlier deadline, and you should provide your voting instructions to Broadridge. Broadridge will aggregate the votes of all participants and provide voting information to the Trustee. If your voting instructions are received by 11:59 p.m. EDT on Thursday, April 15, 2010, the Trustee will submit a proxy that reflects your instructions. If you do not give voting instructions (or give them late), the Trustee will vote your interest in the Humana Common Stock Fund in the same proportion as the Shares attributed to the Humana Retirement & Savings Plan, or the Humana Puerto Rico 1165(e) Retirement Plan, as applicable, are actually voted by the other participants in the applicable plan.

You should provide your instructions to Broadridge by using the Internet, registered holder telephone number (1-800-690-6903) or mail methods described above. **However, you cannot vote in person at the Annual Meeting.** Your voting instructions will be kept confidential under the terms of the Humana Retirement & Savings Plan or the Humana Puerto Rico 1165(e) Retirement Plan, as applicable.

15. Q: How many votes are required to elect each director?

A: A director nominee will be elected if the number of votes cast for the nominee exceeds the number of votes cast against the nominee. Shares not present at the meeting and shares voting abstain or broker non-votes have no effect on the election of directors. Under the Company's Majority Vote Policy adopted in January 2007, following election to our Board of Directors, a director is required to submit his or her irrevocable resignation to our Board of Directors conditioned upon (1) the director not achieving the requisite stockholder vote at any future meeting at which they face re-election, and (2) acceptance of the resignation by the Board of Directors following that election. The Board of Directors has 90 days after a director fails to achieve the requisite stockholder votes to determine whether or not to accept the director's resignation and to report this information to our stockholders.

16. Q: How many votes are required to ratify the Company's independent registered public accounting firm?

A: The affirmative vote of a majority of the votes cast on the proposal is required for the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm. Shares not present at the meeting and shares voting abstain or broker non-votes have no effect on the ratification of the appointment of PricewaterhouseCoopers LLP. Pursuant to current NYSE regulations, brokers have discretionary voting power over the ratification of the appointment of the Company's independent registered public accounting firm.

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17. Q: Who will count the votes?

A: Broadridge will tabulate the votes cast by proxy, whether by proxy card, Internet or telephone. Then, the Company's Inspectors of Election will tabulate the votes cast at the Annual Meeting together with the votes cast by proxy.

18. Q: How do I revoke my proxy?

A: You have the right to revoke your proxy at any time before the meeting. Your method of doing so will depend upon how you originally voted (a later vote will supercede any prior vote you made regardless of how that vote was made):

By Internet simply log in and resubmit your vote Broadridge will only count the last instructions;

By Telephone simply sign in and resubmit your vote Broadridge will only count the last instructions;

By Mail you must give written notice of revocation to Broadridge, 51 Mercedes Way, Edgewood, NY 11717 or by fax at 1-515-254-7733, submit another properly signed proxy with a more recent date, or vote in person at the meeting. For written and fax notices, you must include the control number that is printed on the upper portion of the proxy card.

19. Q: When are the stockholder proposals for inclusion in the Company's proxy materials for the 2011 Annual Meeting due?

A: Stockholder proposals as permitted by SEC regulations for inclusion in our proxy materials relating to the 2011 annual meeting of stockholders must be submitted to the Corporate Secretary in writing no later than November 8, 2010. Proposals should be submitted to Joan O. Lenahan, Vice President and Corporate Secretary, Humana Inc., 500 W. Main Street, 27th Floor, Louisville, KY 40202.

20. Q: May a stockholder present a proposal not included in our Proxy Statement at the April 20, 2010 Annual Meeting?

A: A stockholder can present a proposal at the annual meeting (a so-called "floor resolution") only if certain notice requirements are met. The SEC does not directly regulate meeting conduct. State law imposes only limited requirements, so meetings are governed by procedures set forth in our Bylaws. Humana's Bylaws require that a stockholder provide written notice of intent to bring a proposal no less than 60 days or more than 90 days prior to the scheduled date of the annual meeting of stockholders. If less than 70 days notice of the annual meeting is given, written notice by a stockholder would be deemed timely if made no later

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than the 10th day following such notice of the annual meeting. A proposal must also meet other requirements as to form and content set forth in our Bylaws. Stockholder proposals should be sent to Joan O. Lenahan, Vice President and Corporate Secretary, Humana Inc., 500 West Main Street, 27th Floor, Louisville, Kentucky 40202.

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A copy of our Bylaws is available on our web site. From the www.humana.com web page, click on Investor Relations, then click on View Website and then click on Corporate Governance on the right side of the page, and then click on the link entitled, Bylaws on the left side of the page.

21. Q: How much did this proxy solicitation cost?

A: D. F. King & Co., Inc. has been hired to assist in the distribution of proxy materials and solicitation of votes for approximately \$15,000 plus expenses.

We have also engaged Broadridge to assist in the distribution of proxy materials and the accumulation of votes through the Internet, telephone and coordination of mail votes for approximately \$190,000 plus expenses.

We will reimburse stockbrokers, other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to our stockholders.

22. Q: How can I obtain additional information about the Company?

A: Included with this Proxy Statement (either in printed form or on the Internet) is a copy of our Annual Report on Form 10-K for the year ended December 31, 2009, which also contains the information required in our Annual Report to Stockholders. Our Annual Report on Form 10-K and all other filings with the SEC also may be accessed via the Investor Relations section on our web site at www.humana.com. We encourage you to visit our web site. From the www.humana.com web page, click on Investor Relations, then click on View Website and then click on the report you wish to review under the SEC Filings & Financial Reports subcategory on the left side of the page.

23. Q: Where can I find voting results for this Annual Meeting?

A: The voting results will be published in a current report on Form 8-K which will be filed with the SEC on or before April 26, 2010. The voting results will also be published on our web site at www.humana.com at the same time. From the www.humana.com web page, click on Investor Relations, then click on View Website and then click on Corporate Governance on the right side of the page, and then click on the link entitled Voting Results of Annual Stockholders Meeting on the left side of the page.

24. Q: What is householding ?

A: Householding occurs when a single copy of our Annual Report, Proxy Statement or Notice is sent to any household at which two or more shareholders reside if they appear to be members of the same family. Although we do not household for registered shareholders, a number of brokerage firms have instituted householding for Shares held in street name. This procedure reduces our printing and mailing costs and fees. Shareholders who participate in householding will continue to receive separate proxy cards, and householding will not affect the mailing of account statements or special notices in any way. If you wish to receive separate copies of our Annual Report, Proxy Statement or Notice in the future, please contact the bank, broker or other nominee through which you hold your Shares.

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CORPORATE GOVERNANCE

Humana is committed to having sound corporate governance principles and operates within a comprehensive plan of corporate governance for the purpose of defining responsibilities, setting high standards of professional and personal conduct, and assuring compliance with such responsibilities and standards. Sound corporate governance is essential to running our business effectively and to maintaining our reputation of integrity in the marketplace. Our Board of Directors has adopted Corporate Governance Guidelines, which we refer to as the Guidelines, intended to comply with the requirements of Section 303A.09 of the New York Stock Exchange, or NYSE, Listed Company Manual. The Guidelines may be viewed on our web site at www.humana.com. From the www.humana.com web page, click on Investor Relations, then click on View Website then click on Corporate Governance on the right side of the page, and then click on the link entitled Corporate Governance Guidelines on the left side of the page.

Independent Directors

The Guidelines contain independence standards to assist the Board in its determination of director independence. In addition, to qualify as independent under the Guidelines, the Board of Directors must affirmatively determine that a director has no material relationship with the Company, other than as a director.

Pursuant to the Guidelines, the Board undertakes an annual review of director independence. During this review, the Board considers transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates, including transactions or relationships which could have been reported under Certain Transactions with Management and Others in this Proxy Statement. As provided in the Guidelines, the purpose of this review is to determine whether any such relationships or transactions are inconsistent with a determination that a director is independent.

In the course of this review for the current year, the Board specifically analyzed and discussed several matters:

- (1) a relationship between the Company and Pfizer Inc., or Pfizer, for which Frank A. D. Amelio, one of our current directors, serves as an executive officer;
- (2) a relationship between the Company and JAPC, Inc., or JAPC, which is owned by the father of David A. Jones, Jr., the Chairman of our Board of Directors;
- (3) a relationship between the Company and Chrysalis Ventures, LLC, or Chrysalis, for which David A. Jones, Jr., the Chairman of our Board of Directors, serves as Chairman and Managing Director; and
- (4) a relationship between the Company and Main Street Realty, Inc., or Main Street Realty, which is owned by the father of David A. Jones, Jr., the Chairman of our Board of Directors.

Pfizer. The relationship between the Company and Pfizer consists of a negotiated rebate based on the volume of prescriptions of Pfizer drugs obtained by Humana members, an amount that includes Humana claims paid and the co-payments paid by our members for Pfizer drugs. These rebate amounts are significant. However, these payments to Humana from Pfizer result from activity with many intermediaries over whom Humana exercises no control (i.e. the providers who prescribe these medications, the distributors who sell to the retailers, and the

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retailers from which our members get prescriptions). In 2009, the rebate amounted to approximately \$129 million. We have also agreed to complete various research studies for Pfizer, for which we were paid an immaterial amount of fees by Pfizer in 2009.

JAPC, Inc. In 2009, we provided hangar space, pilot services and maintenance for an airplane owned by JAPC, for which we were fully reimbursed by JAPC at a rate at least as favorable to the Company as market rates, which amounts were not material.

Chrysalis. In 2009, we received health care premium payments from Chrysalis in the aggregate amount of approximately \$131,000, and from two other companies in the investment portfolio of Chrysalis. The premiums charged and benefits provided under these arrangements are comparable to those extended to our other non-affiliated customers in the area. We also reimbursed Chrysalis for the cost of certain office expenses for David A. Jones, Jr. incurred in his position as Chairman of our Board of Directors, which amounts were not material.

Main Street Realty. In 2009, we received health care premium payments from Main Street Realty in the aggregate amount of approximately \$186,000. The premiums charged and benefits provided under the arrangement are comparable to those extended to our other non-affiliated customers in the area.

At the conclusion of its review, the Board affirmatively determined that in each case the relationship between the Company and Pfizer, the Company and JAPC, the Company and Chrysalis, and the Company and Main Street Realty was not material, was below the thresholds for independence prescribed by the NYSE, and did not impact the independence of Mr. D Amelio or Mr. Jones, respectively. Messrs. D Amelio and Jones each recused themselves from the independence assessment relative to himself.

Consistent with these considerations, and based on its review of director independence in light of the standards contained in the Guidelines, the Board determined that each member of the Board of Directors (except Mr. McCallister, who is an employee of the Company) is independent.

Company Leadership Structure

The business of the Company is managed under the direction of the Board, which is elected by the Company's stockholders. The basic responsibility of the Board is to lead the Company by exercising its business judgment to act in what each director reasonably believes to be the best interests of Humana and its stockholders. Leadership is important to facilitate the Board acting effectively as a working group so that the Company and its performance may benefit. The role of the Chairman includes leading the Board in its annual CEO evaluation (in conjunction with the recommendations of the Organization & Compensation Committee), providing continuous feedback on the direction, performance and strategy of the Company, serving as Chair of regular and executive sessions of the Board, setting the Board's agenda with the CEO, and leading the Board in anticipating and responding to crises. The Company's bylaws provide that the chief executive officer can be either the Company's president or its chairman of the Board. The Board believes that the advisability of having a separate or combined chairman and chief executive officer is dependent upon the strengths of the individuals that hold these positions and the most effective means of leveraging these strengths. At this time, given the composition of the Company's Board, the effective interaction between Mr. Jones, as Chairman, and Mr. McCallister, as Chief Executive Officer, and the current challenges faced by the Company, the Board believes that separating the chief executive officer and Board chairman positions provides the Company with the right foundation to pursue the Company's strategic and operational objectives, while maintaining effective oversight and objective evaluation of the performance of the Company.

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Board Oversight of Risk

Pursuant to its charter, and in compliance with applicable NYSE listed company rules, the Audit Committee is responsible for discussing the Company's policies with respect to overall risk assessment and risk management. To accomplish this, the Audit Committee reviews risks that may be material to the Company, as well as major legislative and regulatory developments which could materially impact the Company's risks. The Company has also instituted a management Enterprise Risk Management Committee to assess the risks of the Company and coordinate with and report to the Audit Committee. In addition, the Board of Directors has delegated to the Organization & Compensation Committee the responsibility of assessing the risks associated with the Company's compensation practices and policies for employees, including a consideration of the counterbalance of risk-taking incentives and risk-mitigating factors in Company practices and policies. Finally, the full Board reviews risks that may be material to the Company, including those detailed in the Audit Committee's reports and as disclosed in the Company's quarterly and annual reports filed with the SEC. The goal of these processes is to achieve serious and thoughtful board-level attention to the Company's risk management process and system, the nature of the material risks faced by the Company, and the adequacy of the Company's risk management process and system designed to respond to and mitigate these risks.

Committee Composition

The Board of Directors has the following committees: Audit; Executive; Investment; Nominating & Corporate Governance; and Organization & Compensation. Only directors meeting SEC and NYSE director independence standards may serve on the Audit Committee, the Nominating & Corporate Governance Committee, and the Organization & Compensation Committee. Additional information regarding the Audit Committee is included in this Proxy Statement under the caption "Audit Committee Report" and additional information regarding the Organization & Compensation Committee is included in this Proxy Statement under the captions "Compensation Discussion and Analysis" and "Organization & Compensation Committee Report".

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The number of Board committee meetings held in 2009 and membership as of February 26, 2010, were as follows:

	Audit	Executive	Investment	Nominating & Corporate Governance	Organization & Compensation
Number of Meetings					
in 2009	7	0	4	2	7
NAME					
David A. Jones, Jr.		C			
Frank A. D. Amelio	C		M		
W. Roy Dunbar			C		M
Kurt J. Hilzinger		M			C
Michael B. McCallister		M			
William J. McDonald			M		M
William E. Mitchell (1)	M			M	
David B. Nash, M.D. (2)	M				
James J. O'Brien	M		M		
Marissa T. Peterson				M	M
W. Ann Reynolds, Ph.D.	M			C	

C = Chair
M = Member

- (1) William E. Mitchell was elected to the Board of Directors on April 23, 2009.
(2) David B. Nash, M.D. was elected by the Board of Directors on December 10, 2009 and appointed to the Audit Committee, in each case effective as of January 1, 2010.

Each Board committee operates pursuant to a charter, which may be viewed on our website at www.humana.com. From the www.humana.com web page, click on Investor Relations, then click on View Website then click on Corporate Governance on the right side of the page, and then you will see a link to the Committee Charters on the left side of the page.

Audit Committee

Pursuant to its charter, the Audit Committee:

assists the Board of Directors with the oversight of the integrity of our financial statements and disclosures and internal controls, our compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence and the performance of our internal audit function and the independent registered public accounting firm;

bears responsibility for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm engaged to prepare the audit report or perform other audit, review or attest services;

reviews with the independent registered public accounting firm, our Internal Audit Department, and our financial and accounting personnel, the effectiveness of our accounting and financial controls and, where appropriate, makes recommendations for the improvement of these internal control procedures;

reviews our internal audit function including the independence and authority of our reporting obligations, the proposed audit plans for the year, and the coordination of these plans with the independent registered public accounting firm;

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reviews the financial statements and other information contained in the annual report and other reports to stockholders with management and the independent registered public accounting firm to determine that