HUMANA INC
Form 11-K
June 24, 2011

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

FORM 11- K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2010

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-5975

A. Full Title of Plan: Humana Retirement Savings Plan

B. Name of Issuer of the Securities held Pursuant to the Plan and the Address of its Principal Executive Office:

Humana Inc.
500 West Main Street
Louisville, Kentucky 40202

Humana Retirement Savings Plan
Index
December 31, 2010 and 2009

Note: Other Schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA) have been omitted because they are not applicable.

[PricewaterhouseCoopers LLC Letterhead]

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

Humana Retirement Savings Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Humana Retirement Savings Plan (the "Plan") at December 31, 2010 and 2009, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky

June 23, 2011

PricewaterhouseCoopers LLP, 500 West Main Street, Ste. 1800, Louisville, KY 40202-2941
T: (502) 589 6100, F: (502) 585 7875, www.pwc.com/us

Humana Retirement Savings Plan
Statements of Net Assets Available for Benefits
December 31, 2010 and 2009

	2010	2009
Assets		
Investments, at fair value	$ 1,592,949,861	$ 1,315,172,893
Employer contributions receivable	58,143,410	53,652,072
Participant contributions receivable	810,299	838,620
Notes receivable from participants	37,383,514	30,187,720
Accrued interest and dividends	535,487	437,415
Total assets	1,689,822,571	1,400,288,720
Liabilities		
Accrued expenses	648,011	590,235
Total liabilities	648,011	590,235
Net assets reflecting investments at fair value	1,689,174,560	1,399,698,485
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	(11,105,239)	(8,060,159)
Net assets available for benefits	$ 1,678,069,321	$ 1,391,638,326

The accompanying notes are an integral part of these financial statements.

3

Humana Retirement Savings Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2010 and 2009

	2010	2009
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	$ 176,533,639	$ 219,716,015
Interest and dividend income	15,264,554	12,560,750
Total investment income	191,798,193	232,276,765
Contributions:		
Participant	109,890,727	106,233,536
Employer (net of forfeitures)	101,661,388	97,295,728
Total contributions	211,552,115	203,529,264
Total additions	403,350,308	435,806,029
Deductions from net assets attributed to:		
Benefits paid to participants	113,954,980	55,546,863
Administrative expenses	2,964,333	2,844,079
Total deductions	116,919,313	58,390,942
Net increase	286,430,995	377,415,087
Net assets available for benefits:		
Beginning of year	1,391,638,326	1,014,223,239
End of year	$ 1,678,069,321	$ 1,391,638,326

The accompanying notes are an integral part of these financial statements.

4

Humana Retirement Savings Plan
Notes to Financial Statements
December 31, 2010 and 2009

1. DESCRIPTION OF THE PLAN

The following description of the Humana Retirement Savings Plan (formerly known as the “Humana Retirement and Savings Plan,” the “Plan”) is provided for general information purposes only. Participants should refer to the Plan’s Summary Plan Description, not included herein, for a more complete description of the Plan and its provisions.

General

The Plan is a qualified defined contribution plan established for the benefit of the employees of Humana Inc. and its participating subsidiaries (the “Company” or “Humana”) who are not employed in Puerto Rico (“eligible employees”) and is subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Effective January 1, 2008, the Plan became a Safe Harbor Plan. The Company is the sponsor (“Plan Sponsor”) and a committee appointed by the Company’s Board of Directors is the administrator (“Plan Administrator”) of the Plan. The Company appointed Schwab Retirement Plan Services as the recordkeeper and Charles Schwab Trust Company as the trustee.

The Company appointed Evercore Trust Company, N.A. (“Evercore Trust Company”) as the named fiduciary and investment manager of the investment fund under the Plan that holds shares of common stock of the Company (the “Humana Unitized Stock Fund”).

Participant Accounts

Employees of the Company are generally eligible to participate upon employment. Individual accounts are maintained by the Plan for each eligible employee (“Participant”). Each Participant's account is credited with the Participant's contributions, the Company's contributions, and an allocation of Plan earnings or losses, reduced by Participant withdrawals and an allocation of administrative expenses. Allocations are based on Participants' account balances as discussed further below.

Contributions

Contributions to the Plan by or on behalf of employees may be restricted in amount and timing so as to meet certain requirements of the Internal Revenue Code of 1986, as amended (“IRC”). For the plan year ended December 31, 2010, the Plan maintained various accounts including the Pre-tax Savings Account, the After Tax Account, the Company Matching Account, the Retirement Account, and the Rollover Account, each as described below. Refer to the section titled “Plan Changes Beginning January 1, 2011” at the end of this footnote for account changes effective January 1, 2011 and April 1, 2011.

Pre-tax Savings Account

Eligible employees of the Company may participate in the Pre-tax Savings Account beginning on the employee’s date of hire. A Participant, through payroll deductions, may contribute not less than 1% nor more than 35% of the Participant's annual pre-tax compensation, not to exceed the IRC limitation in effect for the calendar year, which was $16,500 for 2010 and 2009. The Company automatically enrolls eligible employees at a contribution rate of 4% of compensation on their date of hire, unless the employee elects not to participate in the Pre-tax Savings Account or elects a different percentage up to 35%. Automatically enrolled Participants who have not made any contribution election will have their contributions automatically increased by 1% annually, effective with the beginning of the second plan year following the year of automatic enrollment, to a maximum of 6%. If an eligible employee does not want the automatic savings increase to apply, he/she must select a new contribution rate. Participants may change their contribution percentage at any time.

Participants who are age 50 or older and contribute the maximum federal limit or Plan maximum limit may elect to contribute an additional amount, a “catch-up” contribution, up to $5,500 in 2010 and 2009, through payroll deductions in an amount not less than 1% nor more than 35% of the Participant's annual compensation, in accordance with the Economic Growth and Tax Relief Reconciliation Act of 2001.

Humana Retirement Savings Plan
Notes to Financial Statements
December 31, 2010 and 2009

Company Matching Account

Through December 31, 2010, the Company’s matching contribution for any participating employee was equal to 100% of the first 1% of each pre-tax dollar the Participant contributed and 50% of the next 5% of each pre-tax dollar the Participant contributed up to a maximum of 6% of pre-tax contributions made by the Participant. The Company may increase, decrease, or cease matching contributions, with approval from the Board of Directors. Matching contributions are funded bi-weekly and follow the Participants' investment elections. Effective January 1, 2011, the Company increased its matching contribution policy. Refer to the section titled “Plan Changes Beginning January 1, 2011” at the end of this footnote for an explanation of changes.

After Tax Account

Eligible employees of the Company may participate in the Plan’s After Tax Account beginning on the employee’s date of hire. A Participant, through payroll deductions, may contribute not less than 1% nor more than 2% of the Participant's annual compensation, on an after tax basis. Contributions to the After Tax Account are not eligible for Company matching contributions.

Retirement Account

For plan years through the year ended December 31, 2010, after an employee completed two years of service with the Company and had complied with certain other service requirements, the Company made annual contributions to the Retirement Account of the Plan on behalf of the employee. For the plan years ended December 31, 2010 and 2009, the Company made an allocation to the Participants based on an amount equal to 4% of each participating employee's qualifying compensation earned during the plan year, plus 4% of any compensation that exceeded the Social Security taxable wage base. Contribution amounts were computed as of the end of each plan year and are non-forfeitable. Effective January 1, 2011, the Retirement Account was eliminated and replaced with increased Company matching contributions for plan years beginning after the plan year ended December 31, 2010. Refer to the section titled “Plan Changes Beginning January 1, 2011” at the end of this footnote for an explanation of changes.

Rollover Account

The Plan allows Participants to rollover assets from other qualified retirement plans into this Plan.

Investment Options

In accordance with IRC Section 404(c), Participants are responsible for investment decisions in all accounts, including Participant funded and Company funded accounts. Investments can be made among various investment options in 1% increments. In the absence of Participant directed allocation, contributions are invested in a Schwab Managed Retirement Trust FundTM based on a Participant's date of birth and estimated retirement date. In connection with a change in allocation of a Participant's or the Company's future contributions among the investment options or a change in the allocation of existing investments, the purchases and sales due to fund transfers are transacted at the funds’ end of day net asset value on the day the transaction is initiated.

Participant investment options consist of the Schwab Personal Choice Retirement Account (PCRA) and certain investment funds including mutual funds with registered investment companies and common/collective trust funds, which include the Humana Unitized Stock Fund and the Stable Value Fund. The PCRA is a self-directed brokerage account allowing Participants to make investments that are not included as one of the Plan’s options. The Humana Unitized Stock Fund invests primarily in the Company's stock with a small portion held in a money market fund to provide liquidity and to accommodate daily transactions.

Each of the investment funds, including the Humana Unitized Stock Fund, is divided into units of participation, which are calculated daily by the recordkeeper. The daily value of each unit is determined by dividing the total fair market value of all assets in each fund by the total number of units in that fund. Investment income, including certain administrative fees and net appreciation (depreciation) of the fair value of investments, is allocated to each Participant’s account based on the change in unit value for each fund in which the Participant has an account balance.

Humana Retirement Savings Plan
Notes to Financial Statements
December 31, 2010 and 2009

Vesting

Participant contributions are non-forfeitable. Generally, once a Participant has completed two years of service, the Company Matching Account contributions vest immediately and become non-forfeitable. The Retirement Account contributions are fully vested and non-forfeitable immediately.

Forfeitures

The benefit to which a Participant is entitled is the benefit that can be provided from the Participant's vested account. Company Matching Account contributions are forfeited after a five year break in service, or as a result of withdrawal following termination of employment. Forfeited Company Matching Account contributions are available to reduce the amount of subsequent employer contributions. If a former Participant is re-employed prior to five consecutive one-year breaks in service and repays the amount of his/her distribution, then any forfeited employer contributions are restored to his/her account.

For the years ended December 31, 2010 and 2009, forfeited nonvested accounts used to reduce employer contributions totalled $1,991,808 and $1,446,043, respectively. At December 31, 2010 and 2009, the balance of forfeited nonvested accounts available for reducing future employer contributions totaled $50,502 and $13,734, respectively.

Benefit Payments and Withdrawals

Withdrawals at Termination

Upon termination of employment, including retirement, death, or disability, the Plan may disburse funds. Upon termination, Participants may elect to either leave his/her money in the Plan, if their vested account balance is $1,000 or greater, or take a total distribution of their vested account balance. Partial distributions are not permitted. If a Participant elects to leave their money in the Plan upon termination, he/she may request a subsequent withdrawal at any time for a total distribution of their vested account balance.

Through December 31, 2010 benefits under the Plan were payable to terminated Participants through a lump sum distribution, installments not to exceed 20 years, or through purchase of an annuity. Effective January 1, 2011, the purchase of an annuity is no longer a distribution option. Refer to the section titled “Plan Changes Beginning January 1, 2011” at the end of this footnote for an explanation of changes.

In addition, the Plan permits Participants to roll over contributions to another qualified plan. A Participant must make a written request to the Plan for a direct rollover distribution. Rollovers must comply with certain requirements before the Plan will authorize the rollover distribution.

Participants requesting a lump sum distribution may do so in the form of cash or Humana common stock to the degree that their account is invested in the Humana Unitized Stock Fund.

For terminated Participants with a vested account balance less than $1,000, a lump-sum cash distribution will be made if a rollover has not been elected.

7

Humana Retirement Savings Plan