Report on Examination

of the

Golden Security Insurance Company

Chattanooga, Tennessee

as of

December 31, 2009

Department of Commerce and Insurance

State of Tennessee

Nashville, Tennessee

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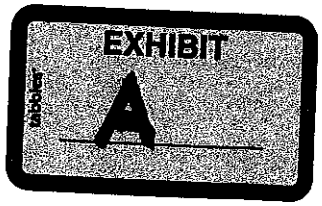
Dept. of Commerce & Insurance
Company Examinations



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Chattanooga, TN
March 10, 2011

Honorable Julie Mix McPeak
Commissioner
Department of Commerce and Insurance
State of Tennessee
500 James Robertson Parkway
Nashville, Tennessee 37243

Honorable Joseph Torti, III, Chairman
Financial Condition (E) Committee, NAIC
Superintendent
State of Rhode Island
Department of Business Regulation
Division of Insurance
1500 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920

Honorable Sharon P. Clark
Secretary, Southeastern Zone, NAIC
Commissioner
Kentucky Department of Insurance
PO Box 517
Frankfort, Kentucky 40602-0517

Commissioners:

In accordance with applicable Tennessee statutes, rules and regulations and resolutions adopted by the National Association of Insurance Commissioners ("NAIC"), a financial examination and market conduct review was made of

Golden Security Insurance Company
Chattanooga, Tennessee

a Tennessee domiciled life insurance company, hereinafter referred to as the "Company." The examination was conducted at the Company's home office, located at 1 Cameron Hill Circle, Chattanooga, Tennessee 37402.

A report of this examination is hereby respectfully submitted

Scope of Examination

A full-scope financial examination was performed and covered the period from January

1, 2005 through December 31, 2009. The Company was last examined as of December 31, 2004 by the State of Tennessee Department of Commerce and Insurance ("Department").

This examination was conducted in accordance with NAIC Financial Condition Examiners Handbook. The Handbook requires evaluation of the Company's financial condition and identification of the Company's prospective risks. All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included an assessment of the principles and estimates management uses, a review of the financial statement presentation and assessments of Statutory Accounting Principles compliance, annual statement instructions and Tennessee statutes, rules and regulations adherence.

This report is structured and written to communicate only the Company's examination findings of regulatory concern and other significant disclosures.

Company History

The Company was incorporated in Tennessee on December 14, 1982 as Golden Shield Insurance Company. Since incorporating, the Company has changed its name twice. In 1983, the Company changed its name to Golden Security Life Insurance Company. Effective May 14, 2003, the name of the Company was changed to its current name.

Summary of Findings

The Company remains an inactive insurance company. As of January 1, 2000, all policies, benefits, obligations and liabilities had been ceded through assumption agreements.

Corporate Records

The Company's bylaws were changed since the last examination. Amendments for the role of the parent's board, independence clarification and executive sessions of the board were added. The Company's structure was also changed in the updated bylaws. A Managing Director was added, the Chair's role was more clearly defined, and the President shall be the CEO in the new management structure.

An Article of Amendment was filed to change the Company's principal address.

Management and Control

The Company is a wholly owned subsidiary of Southern Diversified Business Services, Inc, which is a wholly owned subsidiary of BlueCross and BlueShield of Tennessee

("BCBST").

As of the examination date, the Company's total capitalization was $1,500,000 consisting of 1,500,000 shares of issued and outstanding common stock. The par value is $1.00 per share. No dividends were paid to the shareholder during the examination period ending December 31, 2009.

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date, December 31, 2009:

Name and Address	Principal Occupation*
Vicky Brown Gregg Chattanooga, Tennessee	President and Chief Executive Officer, BlueCross BlueShield of Tennessee
Joan Carol Harp Chattanooga, TN	Executive Vice President and President, Commercial Business and Established Markets, BlueCross BlueShield of Tennessee
Steven Lee Coulter M.D. Signal Mountain, TN	Executive Vice President and President, Government Business and Emerging Markets, BlueCross BlueShield of Tennessee
John Francis Giblin Chattanooga, TN	Executive Vice President and CFO, BlueCross BlueShield of Tennessee

Officers

As of the examination date of December 31, 2009, the following officers were appointed and serving in accordance with the Company's bylaws:

Name	Title
Joan Harp	Managing Director
Vicky Gregg	President and CEO
John Giblin	Chief Financial Officer
Daniel Timblin	Treasurer
Shelia Clemons	Corporate Secretary
Alaine Zachary	Assistant Treasurer
Katherine Laurance	Assistant Corporate Secretary

Examination procedures included a review for compliance with Tenn. Code Ann. § 56-3-103. No instances of an officer or director of the Company having a pecuniary interest in the investment or disposition of Company funds were noted.

Supervision and management of the Company's day-to-day operations has been

delegated to BCBST under an administrative services agreement. As of December 31, 2005, the Company entered into a tax allocation agreement with BCBST, who files a consolidated income tax return. This agreement was approved by the Department.

Litigation, Contingent Liabilities and Regulatory Action

There appears to be no matters at law in which the Company was involved during the period under review. Also, there were no agreements or pending matters of contingent nature that would materially affect its financial position at December 31, 2009. No regulatory actions were taken against the Company during the period under review by any of the various jurisdictions in which it is licensed.

Fidelity Bonds and Other Insurance

The Company is a named insured on a corporate-wide financial institution bond. This coverage includes a fidelity clause. The following shall reflect the Company's coverage at December 31, 2009:

Type of Coverage	Limits of Liability
Aggregate Limit of Liability	$10,000,000
Fidelity ($250,000 single loss deductible)	$5,000,000

The Company's fidelity coverage exceeds the minimum suggested in the NAIC Financial Condition Examiner's Handbook.

Territory and Plan of Operations

The Company is licensed and authorized to transact the business of life and accident and health insurance in Tennessee, while being licensed as a foreign insurer in Alabama, Arkansas, Mississippi and Texas. General business licenses are maintained for Indiana and Georgia. As of October 16, 2009, the Company is no longer licensed as a foreign insurer in the state of Louisiana.

Growth of Company

The Company has been inactive since 1999. The growth of the Company's surplus during the examination period came from investment activities.

Accounts and Corporate Records

The Company amended its bylaws in 2008. The amendments were made to incorporate governance best practices, to eliminate outdated and unnecessary provisions, and to provide clarification and consistency.

An amendment to the Company's charter was made during 2009 to reflect 1 Cameron Hill Circle, Chattanooga, Tennessee 37402 as the Company's principal address. Approval was granted through the Secretary of State but Department approval was not noted.

During the period of examination, the Company was granted a waiver by the Department from filing annual audited financial statements and actuarial opinions.

Statutory Deposit

The following shall reflect the statutory deposit as of December 31, 2009:

State	Type of Asset	Deposit Amount	Rate	Maturity	Market Value
Tennessee	Federal Farm Cr Bks Cons Bond	$275,000	1.875	12/24/2012	$275,000

Market Conduct Activities

The Company has been inactive since 1999. Therefore, they do not actively advertise, underwrite policies, or have any claims or consumer complaints during the timeframe of this examination period.

Without any policyholders the Company was not subject to Tenn. Comp. R. & Regs., 0780-1-72, which defines consumer privacy requirements or Tenn. Code Ann. § 56-53-111, which defines policyholder anti-fraud plans. Compliance to each would begin when a policy is issued.

Statement of Assets and Liabilities

There follows a statement of assets, liabilities and a summary of operations as of December 31, 2009, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

Assets

	Ledger Assets	Non-Admitted Assets	Net-Admitted Assets
Bonds	$1,710,784	$0	$1,710,784
Cash and Short-term Investments	1,517,105	0	1,517,105
Investment Income Due and Accrued	21,405	0	21,405
Totals	**$3,249,294**	**$0**	**$3,249,294**

Liabilities, Surplus and Other Funds

Aggregate Reserve for Life Contracts		$0
Aggregate Reserve for Accident and Health Contracts		0
Liability for Deposit Type Contracts		0
Policy and Contract Claims:		
Life		0
Accident and Health		0
Interest Maintenance Reserve		559
General Expenses Due or Accrued		0
Net deferred tax liability		195
Amounts Withheld or Retained by Company as Agent or Trustee		0
Asset valuation reserve		9,643
Payable to Parent, Subsidiaries and Affiliates		121
Total Liabilities		10,518
Common Capital Stock	$1,500,000	
Gross Paid in and Contributed Surplus	4,180,000	
Unassigned Funds (Surplus)	(2,441,224)	
Surplus as Regards Policyholders		3,238,776
Total		**$3,249,294**

Statement of Operations

Premiums and Annuity Considerations	$0	
Net Investment Income	62,853	
Amortization of Interest Maintenance Reserve	385	
Miscellaneous Income	0	
Total		$63,238
Death Benefits	0	
Disability Benefits and Benefits Under Accident and Health Policies	0	
Total		0
General Insurance Expenses	1,681	
Insurance Taxes, Licenses and Fees	6,434	
Total		8,115
Net Gain From Operations		55,123
Federal Income Taxes Incurred		19,279
Net Gain From Operations After Federal Income Taxes		35,844
Net Realized Capital Gains		0
Net Income		$35,844

Reconciliation of Surplus for the Period Since the Last Examination

	2005	2006	2007	2008	2009
Surplus as Regards Policyholders, December 31, Previous Year	$2,907,831	$2,949,595	$3,030,523	$3,126,308	$3,202,800
Net Income	49,106	82,355	102,749	74,347	35,844
Change in Deferred Income Tax	(6,049)	507	(2,506)	1,504	259
Change in Non-Admitted Assets	0	0	0	0	0
Change in Surplus Notes	0	0	0		0
Change in Asset Valuation Reserve	(1,293)	(1,934)	(4,458)	641	(127)
Capital Changes: Paid in	0	0	0	0	0
Surplus Adjustments: Paid in	0	0	0	0	0
Change in Asset Maintenance Reserve	0	0	0	0	0
Dividends to Stockholders	0	0	0	0	0
Aggregate Write-Ins for Gains and Losses in Surplus	0	(1)	0	0	0
Net Change for the Year	41,764	80,927	95,785	76,492	35,976
Surplus as Regards Policyholders, December 31, Current Year	$2,949,595	$3,030,522	$3,126,308	$3,202,800	$3,238,776

Comments

The Company filed an Articles of Amendment to the Charter with the Tennessee Department of State without prior approval from the Department.

Conclusion

Risk focused insurance examination practices and procedures, as promulgated by the NAIC, have been followed in connection with the verification and valuation of assets and the determination of the liabilities of the Company.

In such manner, it was found that as of December 31, 2009, the Company had admitted assets of $3,249,294 and liabilities, exclusive of capital and surplus, of $10,518. Thus, there existed for the additional protection of the policyholders, the amount of $3,238,776 in the form of paid up capital, gross paid in and contributed surplus and unassigned funds (surplus).

The courteous cooperation of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Sandy Banks, Insurance Examiner, State of Tennessee, participated in the work of this examination.

Respectfully submitted,

Brian H Sewell, CFE
State of Tennessee
Southeastern Zone, NAIC

Examination Affidavit

The undersigned deposes and says that he has duly executed the attached examination report of the Golden Security Insurance Company, dated March 10, 2011, and made as of December 31, 2009, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Brian H Sewell

Brian H Sewell, CFE
State of Tennessee
Southeastern Zone, NAIC

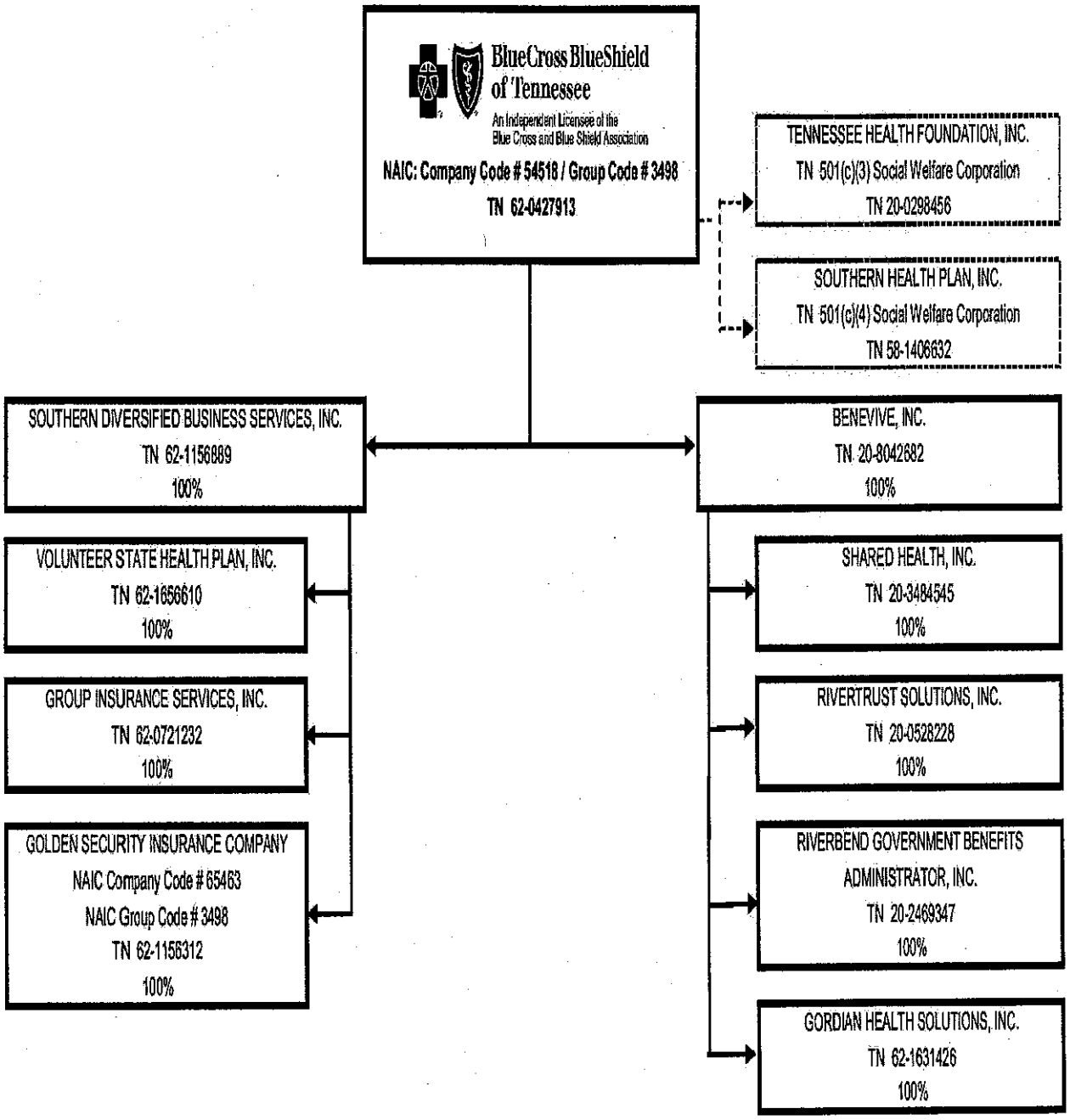
County Davidson
State Tennessee

Subscribed and sworn to before me
this 11th day of
March, 2011

Helen W. Dorsey
(Notary)

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

Organizational Chart



of Tennessee
plans for better health. plans for a better life.™

1 Cameron Hill Circle
Chattanooga, TN 37402

bcbst.com

March 29, 2011

Mr. Horace Gaddis, Insurance Examinations Director
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

RE: Report on Financial Condition Examination of Golden Security Insurance Company Made as of December 31, 2009

Dear Mr. Gaddis

BlueCross BlueShield of Tennessee (BCBST) has reviewed the Financial Condition Examination report for Golden Security Insurance Company received under cover letter from you on March 15, 2011.

In regards to the comment located on page 10, *"The Company filed an Articles of Amendment to the Charter with the Tennessee Department of State without prior approval from the Department"*, BCBST has taken steps to re-file the Articles of Amendment by submitting the Articles to the TDCI on March 3, 2011. In addition, BCBST has reviewed its internal processes to ensure that a similar oversight does not occur in future filings.

As always we greatly appreciate the TDCI working with us to efficiently and effectively handle this audit.

Sincerely,

Bill Young
SVP Risk Management and General Counsel

EXHIBIT
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