

QUARTERLY STATEMENT
OF THE
Volunteer State Health Plan, Inc.

of
Chattanooga
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

FOR THE QUARTER ENDED
September 30, 2008

2008



QUARTERLY STATEMENT
AS OF September 30, 2008
OF THE CONDITION AND AFFAIRS OF THE
Volunteer State Health Plan, Inc.

NAIC Group Code 0000 (Current Period) , 0000 (Prior Period) NAIC Company Code _____ Employer's ID Number 62-1656610

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

Country of Domicile United States of America

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

Incorporated/Organized 07/11/1996 Commenced Business 11/01/1996

Statutory Home Office 801 Pine Street , Chattanooga, TN 37402
 (Street and Number) (City, or Town, State and Zip Code)

Main Administrative Office 801 Pine Street
 (Street and Number)

Chattanooga, TN 37402 (423)535-5600
 (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 801 Pine Street , Chattanooga, TN 37402
 (Street and Number or P.O. Box) (City, or Town, State and Zip Code)

Primary Location of Books and Records 801 Pine Street
 (Street and Number)

Chattanooga, TN 37402 (423)535-5600
 (City, or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.bcbst.com

Statutory Statement Contact Dana Elaine Hull (423)535-7919
 (Name) (Area Code)(Telephone Number)(Extension)
Dana_Hull@BCBST.com (423)535-8331
 (E-Mail Address) (Fax Number)

OFFICERS

Name	Title
Vicky Brown Gregg	Chairman
Sonya Kay Nelson	President & CEO
Steven Lee Coulter MD	Managing Director
Albert Irving Koehler	Chief Operating Officer #
Christopher Howell Hunter	Treasurer
Alaine Marie Zachary	Assistant Treasurer #
Shelia Dian Clemons	Secretary
Katharine Anne Laurance	Assistant Secretary #

OTHERS

DIRECTORS OR TRUSTEES

Vicky Brown Gregg Steven Lee Coulter MD
 John Francis Giblin

State of Tennessee
 County of Hamilton ss

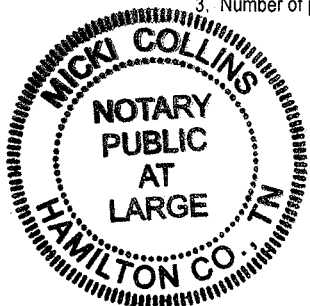
The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from 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.

(Signature)	(Signature)	(Signature)
Sonya Kay Nelson	Shelia Dian Clemons	John Francis Giblin
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President & CEO	Secretary	Executive VP & CFO
(Title)	(Title)	(Title)

Subscribed and sworn to before me this 11th day of Nov, 2008

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

(Notary Public Signature)



My Commission Expires
August 18, 2010

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ASSETS

	Current Statement Date			4 December 31, Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	23,422,606		23,422,606	26,433,012
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....9,399,720), cash equivalents (\$.....0) and short-term investments (\$.....1,411,170)	10,810,890		10,810,890	9,500,226
6. Contract loans (including \$.....0 premium notes)				
7. Other invested assets				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	34,233,496		34,233,496	35,933,238
11. Title plants less \$.....0 charged off (for Title insurers only)				
12. Investment income due and accrued	424,491		424,491	368,927
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	6,335,267		6,335,267	6,781,994
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	554,200	256,700	297,500	
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$.....0)				
20. Net adjustments in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$.....0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	1,046,479		1,046,479	585,623
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	42,593,933	256,700	42,337,233	43,669,782
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	42,593,933	256,700	42,337,233	43,669,782
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Insured Receivable from State of Tennessee	573,979		573,979	585,623
2302. Prepaid Expenses	472,500		472,500	
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,046,479		1,046,479	585,623

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)				
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	7,121,831		7,121,831	
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance	850,001		850,001	1,771,342
9. General expenses due or accrued	734,762		734,762	842,803
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others	130,049		130,049	69,090
13. Remittances and items not allocated	1,000		1,000	19,336
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates	8,512,143		8,512,143	7,270,099
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans	1,716,500		1,716,500	1,993,775
21. Aggregate write-ins for other liabilities (including \$.....0 current)	17,615		17,615	340,120
22. Total liabilities (Lines 1 to 21)	19,083,901		19,083,901	12,306,565
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X	10	10
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X	99,990	99,990
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X	21,024,621	25,703,132
29. Unassigned funds (surplus)	X X X	X X X	2,128,711	5,560,085
30. Less treasury stock, at cost:				
30.1 .....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2 .....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	23,253,332	31,363,217
32. Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	42,337,233	43,669,782
DETAILS OF WRITE-INS				
2101. Stale Dated Checks	17,535		17,535	78,919
2102. Exigency Post Settlement Activity	80		80	261,201
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	17,615		17,615	340,120
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801. Legally Required Reserves	X X X	X X X	21,024,621	25,703,132
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X	21,024,621	25,703,132

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months	X X X			
2. Net premium income (including \$.....0 non-health premium income)	X X X	(30,293)	(63,752)	(85,979)
3. Change in unearned premium reserves and reserves for rate credits	X X X			
4. Fee-for-service (net of \$.....0 medical expenses)	X X X			
5. Risk revenue	X X X			
6. Aggregate write-ins for other health care related revenues	X X X			
7. Aggregate write-ins for other non-health revenues	X X X		8,500,283	8,500,283
8. Total revenues (Lines 2 to 7)	X X X	(30,293)	8,436,531	8,414,304
Hospital and Medical:				
9. Hospital/medical benefits		(241,442)	(166,434)	(518,592)
10. Other professional services		1,421	(16,388)	(352,142)
11. Outside referrals				
12. Emergency room and out-of-area		1,683	946	(1,254)
13. Prescription drugs			(564,067)	(564,067)
14. Aggregate write-ins for other hospital and medical		137,838	168,058	437,663
15. Incentive pool, withhold adjustments and bonus amounts				
16. Subtotal (Lines 9 to 15)		(100,500)	(577,885)	(998,392)
Less:				
17. Net reinsurance recoveries				
18. Total hospital and medical (Lines 16 minus 17)		(100,500)	(577,885)	(998,392)
19. Non-health claims (net)				
20. Claims adjustment expenses, including \$.....855,036 cost containment expenses		5,665,986	620,044	772,985
21. General administrative expenses		8,036,520	856,250	1,086,872
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)				
23. Total underwriting deductions (Lines 18 through 22)		13,602,006	898,409	861,465
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(13,632,299)	7,538,122	7,552,839
25. Net investment income earned		1,159,528	1,483,497	1,871,221
26. Net realized capital gains (losses) less capital gains tax of \$.....0				(2,597)
27. Net investment gains or (losses) (Lines 25 plus 26)		1,159,528	1,483,497	1,868,624
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]				
29. Aggregate write-ins for other income or expenses			(8,500,283)	(8,500,283)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(12,472,771)	521,336	921,180
31. Federal and foreign income taxes incurred	X X X	(4,065,386)	175,642	316,073
32. Net income (loss) (Lines 30 minus 31)	X X X	(8,407,385)	345,694	605,107
DETAILS OF WRITE-INS				
0601. Meharry, Critical Access, and EPP Revenues	X X X		100,546,064	100,546,064
0602. Meharry, Critical Access, and EPP Premium Taxes	X X X		(2,010,921)	(2,010,921)
0603. Critical Access Payments	X X X		(3,247,543)	(3,247,543)
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		(95,287,600)	(95,287,600)
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X			
0701. Shared Health, Inc. Revenue	X X X		8,500,283	8,500,283
0702.	X X X			
0703.	X X X			
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X			
0799. TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X		8,500,283	8,500,283
1401. Exigency Post-Settlement Activity		137,838	168,058	437,663
1402.				
1403.				
1498. Summary of remaining write-ins for Line 14 from overflow page				
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		137,838	168,058	437,663
2901. Shared Health, Inc. Expense			(8,500,283)	(8,500,283)
2902.				
2903.				
2998. Summary of remaining write-ins for Line 29 from overflow page				
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)			(8,500,283)	(8,500,283)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
CAPITAL & SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year	31,363,217	30,758,110	30,758,110
34. Net income or (loss) from Line 32	(8,407,385)	345,694	605,107
35. Change in valuation basis of aggregate policy and claim reserves			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0			
37. Change in net unrealized foreign exchange capital gain or (loss)			
38. Change in net deferred income tax	300,084	(7,424)	(12,616)
39. Change in nonadmitted assets	(2,584)	7,424	12,616
40. Change in unauthorized reinsurance			
41. Change in treasury stock			
42. Change in surplus notes			
43. Cumulative effect of changes in accounting principles			
44. Capital Changes:			
44.1 Paid in			
44.2 Transferred from surplus (Stock Dividend)			
44.3 Transferred to surplus			
45. Surplus adjustments:			
45.1 Paid in			
45.2 Transferred to capital (Stock Dividend)			
45.3 Transferred from capital			
46. Dividends to stockholders			
47. Aggregate write-ins for gains or (losses) in surplus			
48. Net change in capital and surplus (Lines 34 to 47)	(8,109,885)	345,694	605,107
49. Capital and surplus end of reporting period (Line 33 plus 48)	23,253,332	31,103,804	31,363,217
DETAILS OF WRITE-INS			
4701.			
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page			
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)			

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	-	-
REVENUES:			
1. TennCare Capitation	18,919,782	56,409,177	(85,979)
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	18,919,782	56,409,177	(85,979)
4. Investment	349,153	1,159,528	1,868,624
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	19,268,935	57,568,705	1,782,645
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	-	-	-
8. Fee-for Service Physician Services	45,573	35,741	(46,110)
9. Inpatient Hospital Services	(49,560)	(63,518)	(9,543)
10. Outpatient Services	135,611	134,325	(21,095)
11. Emergency Room Services	-	62	178
12. Mental Health Services	-	-	-
13. Dental Services	-	-	-
14. Vision Services	-	-	-
15. Pharmacy Services	-	-	(564,067)
16. Home Health Services	-	-	(14,772)
17. Chiropractic Services	-	-	-
18. Radiology Services	4,839	4,803	(958)
19. Laboratory Services	-	-	(6,821)
20. Durable Medical Services	-	-	(446)
21. Transportation Services	-	(117)	(1,919)
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	22,018	144,185	413,555
26. Subtotal (Lines 7 to 25)	158,481	255,481	(251,998)
LESS:			
27. Reinsurance Expenses Net of Recoveries	-	-	-
28. Copayments	-	(180)	(165)
29. Subrogation and Coordination of Benefits	38,884	356,161	746,559
30. Subtotal (Lines 27 to 29)	38,884	355,981	746,394
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	119,597	(100,500)	(998,392)
Administration:			
32. Compensation	13,510,762	36,475,906	1,184,943
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	4,388,655	12,837,176	(1,720)
36. Occupancy, Depreciation and Amortization	1,324,767	3,576,563	116,187
37. Other Administration (Provide Detail)	6,390,304	17,252,331	560,447
38. TOTAL ADMINISTRATION (Lines 32 to 37)	25,614,488	70,141,976	1,859,857
39. TOTAL EXPENSES (Lines 31 and 38)	25,734,085	70,041,476	861,465
40. Extraordinary Item	-	-	-
41. Provision for Federal Income Taxes	(1,954,767)	(4,065,386)	316,073
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(4,510,383)	(8,407,385)	605,107
DETAILS OF WRITE-INS			
0501. Meharry, Critical Access & EPP Revenues	-	-	100,546,064
0502. Meharry, Critical Access, Trauma Center and EPP Premium Taxes	-	-	(2,010,921)
0503. Critical Access Payments	-	-	(3,247,543)
0504. Meharry Payments	-	-	(6,500,000)
0505. Trauma Center Payments	-	-	(13,787,600)
0506. Essential Provider Payments (EPP)	-	-	(75,000,000)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	9,509	137,838	437,663
2502. PT/OT/ST, Supplies, Prosthetics, etc.	13,310	13,265	(4,284)
2503. Bad Debt Expense	(801)	(6,918)	(19,824)
2599. TOTALS	22,018	144,185	413,555
3701. Equipment	2,897,929	7,823,732	254,158
3702. Auditing, Actuarial, and Other Consulting	942,623	2,544,862	82,670
3703. Postage/Telephone	832,225	2,246,815	72,988
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	768,535	2,074,865	67,401
3705. Outsourced Services	668,753	1,805,477	58,652
3706. Printing and Stationary	280,239	756,580	24,578
3799. TOTALS	6,390,304	17,252,331	560,447

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	309,789	931,707	2,191,170
REVENUES:			
1. TennCare Capitation	88,479,916	272,562,968	596,133,180
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	88,479,916	272,562,968	596,133,180
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	8,500,283
6. TOTAL REVENUES (Lines 1 to 5)	88,479,916	272,562,968	604,633,463
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	385,965	1,228,183	2,661,665
8. Fee-for Service Physician Services	14,475,616	46,720,622	130,324,312
9. Inpatient Hospital Services	20,032,440	67,073,840	152,727,784
10. Outpatient Services	9,206,368	27,540,403	66,607,587
11. Emergency Room Services	2,615,709	7,411,144	16,360,133
12. Mental Health Services	-	-	-
13. Dental Services	1,404	1,775	1,966
14. Vision Services	64,367	176,888	337,481
15. Pharmacy Services	-	-	(29,956)
16. Home Health Services	23,938,953	70,767,583	126,624,309
17. Chiropractic Services	-	-	-
18. Radiology Services	607,860	1,916,175	7,282,867
19. Laboratory Services	671,035	2,120,233	6,110,293
20. Durable Medical Services	4,135,178	8,548,537	10,264,895
21. Transportation Services	1,893,126	4,881,722	10,908,439
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	1,847,472	8,637,432	18,970,010
26. Subtotal (Lines 7 to 25)	79,875,493	247,024,537	549,151,785
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	4,530	17,209	122,597
29. Subrogation and Coordination of Benefits	666,284	2,143,268	3,414,410
30. Subtotal (Lines 27 to 29)	670,814	2,160,477	3,537,007
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	79,204,679	244,864,060	545,614,778
Administration:			
32. Compensation	4,757,201	13,116,775	24,642,226
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	1,769,598	5,451,259	11,922,664
36. Occupancy, Depreciation and Amortization	466,458	1,286,137	2,416,238
37. Other Administration (Provide Detail)	2,250,057	6,203,959	20,155,533
38. TOTAL ADMINISTRATION (Lines 32 to 37)	9,243,314	26,058,130	59,136,661
39. TOTAL EXPENSES (Lines 31 and 38)	88,447,993	270,922,190	604,751,439
40. Extraordinary Item			
41. Provision for Federal Income Taxes	11,174	574,273	(41,292)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	20,749	1,066,505	(76,684)
DETAILS OF WRITE-INS			
0501. Shared Health, Inc. Revenue	-	-	8,500,283
0599. TOTALS	-	-	8,500,283
2501. PT/OT/ST, Supplies, Prosthetics, etc.	838,642	5,652,065	12,075,914
2502. Bad Debt Expense	699,126	1,708,404	1,989,672
2503. Out of Area Claims Expense	309,704	1,276,963	4,904,424
2599. TOTALS	1,847,472	8,637,432	18,970,010
3701. Equipment Rental	1,020,375	2,813,424	5,285,521
3702. Auditing, Actuarial, and Other Consulting	331,902	915,135	1,719,246
3703. Postage/Telephone	293,030	807,957	1,517,892
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	270,605	746,124	1,401,728
3705. Outsourced Services	235,472	649,252	1,219,736
3706. Printing and Stationary	98,673	272,067	511,127
3707. Shared Health, Inc. Expense	-	-	8,500,283
3799. TOTALS	2,250,057	6,203,959	20,155,533

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	623,947	1,877,916	2,500,656
REVENUES:			
1. TennCare Capitation	120,749,722	380,244,994	489,389,514
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	120,749,722	380,244,994	489,389,514
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	120,749,722	380,244,994	489,389,514
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	484,418	1,489,092	1,990,084
8. Fee-for Service Physician Services	38,247,746	125,318,423	161,175,307
9. Inpatient Hospital Services	24,868,443	80,873,947	101,326,857
10. Outpatient Services	15,465,049	47,414,168	63,703,486
11. Emergency Room Services	4,059,810	12,164,665	16,175,181
12. Mental Health Services	-	-	-
13. Dental Services	306	2,431	4,012
14. Vision Services	97,096	263,130	333,815
15. Pharmacy Services	-	-	(35,220)
16. Home Health Services	14,066,000	45,042,643	59,650,629
17. Chiropractic Services	-	-	-
18. Radiology Services	2,412,676	7,399,941	9,716,646
19. Laboratory Services	2,381,472	7,526,606	9,875,585
20. Durable Medical Services	3,505,059	8,062,355	9,054,924
21. Transportation Services	3,921,510	10,452,402	11,216,975
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	2,195,785	6,721,139	9,169,697
26. Subtotal (Lines 7 to 25)	111,705,370	352,730,942	453,357,978
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	45,832	150,823	220,571
29. Subrogation and Coordination of Benefits	314,055	1,251,984	1,854,556
30. Subtotal (Lines 27 to 29)	359,887	1,402,807	2,075,127
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	111,345,483	351,328,135	451,282,851
Administration:			
32. Compensation	8,753,560	23,363,045	18,105,240
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	2,407,018	7,613,861	9,799,831
36. Occupancy, Depreciation and Amortization	858,311	2,290,811	1,775,268
37. Other Administration (Provide Detail)	4,140,248	11,050,225	8,563,396
38. TOTAL ADMINISTRATION (Lines 32 to 37)	16,159,137	44,317,942	38,243,735
39. TOTAL EXPENSES (Lines 31 and 38)	127,504,620	395,646,077	489,526,586
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(2,364,214)	(5,390,379)	(47,975)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(4,390,684)	(10,010,704)	(89,097)
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	900,921	4,481,995	7,281,198
2502. Bad Debt Expense	948,704	1,377,756	83,139
2503. Out of Area Claims Expense	346,160	861,388	1,805,360
2599. TOTALS	2,195,785	6,721,139	9,169,697
3701. Equipment Rental	1,877,555	5,011,150	3,883,400
3702. Auditing, Actuarial, and Other Consulting	610,721	1,630,000	1,263,173
3703. Postage/Telephone	539,195	1,439,099	1,115,234
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	497,930	1,328,963	1,029,882
3705. Outsourced Services	433,282	1,156,419	896,170
3706. Printing and Stationary	181,565	484,594	375,537
3799. TOTALS	4,140,248	11,050,225	8,563,396

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance	(951,634)	1,685,363
2.	Net investment income	1,201,870	2,037,168
3.	Miscellaneous income		8,500,283
4.	Total (Lines 1 to 3)	250,236	12,222,814
5.	Benefit and loss related payments	(100,500)	(998,392)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	6,519,264	7,172,987
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	(4,065,386)	316,073
10.	Total (Lines 5 through 9)	2,353,378	6,490,668
11.	Net cash from operations (Line 4 minus Line 10)	(2,103,142)	5,732,146
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	7,000,000	13,200,000
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	7,000,000	13,200,000
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	4,087,500	11,212,040
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	4,087,500	11,212,040
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	2,912,500	1,987,960
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	501,306	(7,134,419)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	501,306	(7,134,419)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,310,664	585,687
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	9,500,226	8,914,539
19.2	End of period (Line 18 plus Line 19.1)	10,810,890	9,500,226

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1		Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
	Total	2	3	Medicare Supplement								Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:											
1. Prior Year											
2. First Quarter											
3. Second Quarter											
4. Third Quarter											
5. Current Year											
6. Current Year Member Months											
Total Member Ambulatory Encounters for Period:											
7. Physician	(21)									(21)	
8. Non-Physician	(28)									(28)	
9. Total	(49)									(49)	
10. Hospital Patient Days Incurred											
11. Number of Inpatient Admissions											
12. Health Premiums Written (a)	(30,293)									(30,293)	
13. Life Premiums Direct											
14. Property/Casualty Premiums Written											
15. Health Premiums Earned											
16. Property/Casualty Premiums Earned											
17. Amount Paid for Provision of Health Care Services	(100,500)									(100,500)	
18. Amount Incurred for Provision of Health Care Services	(100,500)									(100,500)	
(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$											

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1	2	3	4	5	6	7
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 days	Over 120 Days	Total
NONE						
0899999 Accrued Medical Incentive Pool And Bonus Amounts						

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1+3)	6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec.31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	(100,500)				(100,500)	
8. Other health						
9. Health subtotal (Lines 1 to 8)	(100,500)				(100,500)	
10. Healthcare receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals	(100,500)				(100,500)	

(a) Excludes \$0 loans or advances to providers not yet expensed.

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Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (the Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, 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, version effective January 1, 2008, (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 specific practices that deviate from prescribed practices.

Since 2004, VSHP has accepted the risk for uninsured claims overpayments for which the Company determined the State was not responsible. At the direction of the TDCI, TennCare Division, the Company recorded the uninsured claims overpayments as claims expense instead of reporting the net gain/(loss) on the general administrative expense line as required by NAIC SAP.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be decreased and claims would be increased \$282 YTD. Since 2003, activity has been settled monthly on a cash basis.

At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for premium taxes. The rationale behind the exclusion is that these assets have no economic benefit to VSHP. In addition to the aforementioned request, the TDCI has also requested VSHP show Shared Health, Inc. revenue on line 7 of the Statement of Revenues and Expenses as an aggregate write-in for other non-health revenues. The related off-setting expense is shown on line 29, aggregate write-ins for other income or expenses. This practice differs from the NAIC's *Accounting Practices and Procedures Manual* which requires the netting of revenues and expenses for ASO business in administrative expenses.

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

No Change

C. Accounting Policy

No Change

2. Accounting Changes and Corrections of Errors

A. Disclosure of material changes in accounting principles and/or correction of errors.

No Change

3. Business Combinations and Goodwill

No Change

4. Discontinued Operations

No Change

5. Investments

No Change

6. Joint Ventures, Partnerships and Limited Liability Companies

No Change

7. Investment Income

No Change

8. Derivative Instruments

No Change

Notes to Financial Statement

9. Income Taxes

- A. The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus, and Other Funds are as follows:

	September 30, 2008	December 31, 2007
(1) Total of gross deferred tax assets (admitted and nonadmitted)	\$ 554,873	\$ 259,794
(2) Total of deferred tax liabilities	673	5,678
(3) Net deferred tax assets	554,200	254,116
(4) Deferred tax assets nonadmitted	256,700	254,116
(5) Net admitted deferred tax assets	\$ 297,500	\$ 0
(6) Increase (decrease) in nonadmitted asset	\$ 2,584	\$ (12,616)

- B. No Change

- C. The change in net deferred income taxes is comprised of the following:

	September 30, 2008	December 31, 2007	Change
Total deferred tax assets (admitted and non-admitted)	\$ 554,873	\$ 259,794	\$ 295,079
Total deferred tax liabilities	673	5,678	(5,005)
Net deferred tax assets (deferred assets less liabilities)	\$ 554,200	\$ 254,116	300,084
Tax effect of non-admitted assets			0
Change in net deferred income tax			\$ 300,084

- D. The provision for federal income taxes incurred is different from that which would be obtained by applying the federal statutory income tax rate to income before taxes. The significant items causing this difference are as follows:

	September 30, 2008	Effective Tax Rate
Provision computed at statutory rate	\$ (4,365,470)	(35.0)%
Change in net deferred income taxes	300,084	2.4
Federal income taxes incurred	\$ (4,065,386)	(32.6)%

- E. No Change

- F. (1) The Company's federal income tax return is consolidated with the following entities:

BlueCross BlueShield of Tennessee, Inc.
Golden Security Insurance Company
Group Insurance Services, Inc.
Southern Diversified Business Services, Inc.
RiverTrust Solutions, Inc.
Security Care, Inc.
Riverbend Government Benefits Administrator, Inc.
Shared Health, Inc.
Gordian Health Solutions, Inc.
Continental Health Promotion, Inc.
Eris Survey Systems, Inc.
BeneVive, Inc.

- (2) The method of tax allocation between members of the affiliated group is subject to written agreement, approved by the Board of Directors. Allocation is based upon a percentage calculation. Intercompany tax balances are settled monthly.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. BCBST owns 100% of BeneVive, Inc. (BeneVive) and Southern Diversified Business Services, Inc. (SDBS). BCBST also owns a 20% interest in TriServ Alliance, LLC (TriServ) and a minority interest in TZ Holdings, L.P.

In addition, BCBST assigned to Riverbend all of its 50% interest in Capstone Government Solutions, LLC (Capstone), a joint venture limited liability company with CIGNA Government Services, LLC created for the purpose of bidding on and administering future Medicare fee-for-service contracts.

BeneVive owns 100% of the for-profit corporations Shared Health, Gordian, Riverbend, Security Care, and RiverTrust. Shared Health is a health information technology company. Gordian, in conjunction with its wholly-owned subsidiaries, Continental Health Promotion, Inc. (CHP) and Eris Survey Systems, Inc. (ESS), mitigates the rising cost of health care by encouraging the formation of healthy lifestyle behaviors and providing case management for existing illnesses. Riverbend, incorporated in 2002, performs services as a Medicare Administrative Contractor or subcontractor for the Centers for Medicare and Medicaid Services pursuant to the Medicare Modernization Act of 2003. Security Care, incorporated in 2004, is pursuing business with the Federal government as a Zone Program Integrity Contractor (ZPIC) to promote the prevention, detection and investigation of fraud in Medicare and

Notes to Financial Statement

Medicaid. RiverTrust, incorporated in 2003, is a Qualified Independent Contractor able to bid on Medicare appeals workloads.

From January 1, 2007 through September 30, 2008, 800 shares of RiverTrust stock have been issued to BeneVive in exchange for \$4,000,000, while 478 shares of Shared Health stock have been issued to BeneVive in exchange for \$11,950,000 during the same period. No shares have been issued for Riverbend, but will be in the future as Riverbend is funded, up to a maximum of 1,000 shares. BCBST transferred \$16,082,749 in 2008 and \$12,362,946 in 2007 to BeneVive as additional capital contributions. These additional capital contributions were passed through to the following entities in the following amounts:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Gordian Health Solutions, Inc.	\$ 6,705,749	\$ 2,512,946
RGBA, Inc.	2,500,000	
RTS, Inc.	2,100,000	1,900,000
Shared Health, Inc.	4,450,000	7,500,000
BeneVive, Inc.	327,000	450,000
Total	<u>\$ 16,082,749</u>	<u>\$ 12,362,946</u>

SDBS owns 100% of the following for-profit corporations: Golden Security Insurance Company (Golden Security), Group Insurance Services, Inc. (GIS), and Volunteer State Health Plan, Inc. (VSHP). Golden Security, an inactive corporation, is licensed to provide health, term life, disability and other insurance coverage to its policyholders. GIS is an insurance broker. BCBST participates in the TennCareSM program through its Managed Care Organization (MCO), VSHP, which is contracted by the State of Tennessee to provide services for TennCareSM members. In 2008, SDBS exchanged the 10% interest it owned in US Able Life (US Able) as well as the US Able profit sharing rights held by GIS for a 6.6% interest in Life and Specialty Ventures, L.L.C. (LSV), which is the parent company of US Able.

TriServ is a limited liability company formed in 2007 with six other non-investor owned Blue Cross and Blue Shield plans in the southern United States. TriServ's primary purpose is to jointly pursue an opportunity with TRICARE, a service of the U.S. Department of Defense, to administer the Managed Care Support contract for the South Region. BCBST transferred \$2,400,000 and \$3,000,000 to TriServ in 2008 and 2007, respectively.

TZ Holdings, L.P. (TZ) is a limited partnership formed in 2008 by BCBST, The Regence Group (an affiliation of four BlueCross and/or BlueShield plans in the Pacific Northwest) and Apax Partners (a global private equity investment group) as well as a small group of individuals and entities. Apax is the majority owner of TZ, and BCBST is a minority owner. BCBST has representation on the Board of Directors of the General Partner. TZ is the indirect parent company of The TriZetto Group, Inc. (TriZetto), a provider of information technology solutions that enable payers and other constituents in the healthcare supply chain to improve the coordination of benefits and care for healthcare consumers. TriZetto's payer-focused information technology offerings include enterprise and component software, hosting and business process outsourcing services and consulting.

In 2007, GDRG, LLC (GDRG) was absorbed by BCBST and all of the assets and liabilities of GDRG were transferred by operation of law to the accounts of the parent. Formed in 2004, GDRG was a limited liability company whose primary purpose was to acquire, own, hold, maintain, operate, and develop real property. This move consolidated the ownership of BCBST's new campus property into a single entity at the parent level. Prior to the transfer, GDRG was a wholly-owned subsidiary of BCBST.

Capstone discontinued active operations as of December 31, 2006. Capstone was not formally dissolved at that time. While there are no Capstone employees, the Board of Governors is still in existence, financial statements are generated on a monthly basis, and all state and federal corporate filings continue to be filed as required. Actions will be initiated to dissolve Capstone when the 2006-2007 audit of the financial statements is completed. It is the intent of the Capstone Board of Directors to dissolve Capstone in 2008.

Tennessee Health Foundation, Inc. (THF), doing business as BlueCross BlueShield of Tennessee Health Foundation, is a public benefit non profit Tennessee corporation that promotes charitable activities. BCBST appoints the board of directors of THF, which has been granted a 501(c) (3) tax exemption by the Internal Revenue Service.

Southern Health Plan, Inc. (SHP), doing business as BlueCross BlueShield of Tennessee Community Trust, is a Tennessee corporation created for the purpose of improving the quality of health care in Tennessee, primarily through contributions to other tax-exempt organizations. As part of the corporate restructuring, effective January 1, 2007, SHP amended its bylaws to reflect that BCBST will govern and oversee SHP and appoint its board of directors. Prior to January 1, 2007, SDBS appointed the board of directors of SHP. SHP has been granted a 501(c) (4) tax exemption by the Internal Revenue Service.

The statutory value of VSHP amounting to \$23,253,332 as of September 30, 2008 is nonadmitted, since VSHP is now the subsidiary of a non-audited holding company (SDBS) rather than held directly

Notes to Financial Statement

by BCBST. VSHP has administrative services agreements with BCBST for which BCBST provides administrative services and is reimbursed. A tax sharing agreement also exists. These amounts are settled on a monthly basis.

- B. No Change.
 - C. The Company paid \$22,028,887 and \$73,627,933 in 2008 and 2007 respectively, to the Parent for services performed under the administrative services agreements.
 - D. The Company reported \$8,512,143 and \$7,270,099 as amounts due to the Parent in 2008 and 2007 respectively.
 - E. No Change
 - F. No Change
 - G. No Change
 - H. No Change
 - I. No Change
 - J. No Change
 - K. No Change
 - L. No Change
11. Debt
- No Change
12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans
- No Change
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations.
- (9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
 - a. unrealized gains and losses: Not Applicable
 - b. nonadmitted asset values: \$256,700
 - c. separate account business: Not Applicable
 - d. asset valuation: Not Applicable
 - e. provision for reinsurance: Not Applicable
14. Contingencies
- No Change
15. Leases
- No Change
16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations Of Credit Risk
- No Change
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
- C. Wash Sales
 - No Change
18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans
- A. ASO Plans

TennCareSM Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. TennCareSM Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). Cash and invested assets related to TennCareSM Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCareSM Select and the Stabilization Plan are netted on p. 2, line 15. Assets deemed to have no

Notes to Financial Statement

economic benefit to VSHP, such as premium tax receivable from the State of Tennessee, are netted against premium tax payable to the State of Tennessee to avoid overstatement of assets and liabilities. Liabilities for the ASO plans are netted on page 3, line 20 in the category labeled "Liability for amounts held under uninsured accident and health plans", excluding any 'due to/from' transactions occurring between the ASO, insured business, and BCBST.

The amounts receivable relating to uninsured plans reflected on page Q2, line 15, are as follows:

Uninsured Receivables	Amount
a. Minimum Financial Guaranty	\$ 4,125,192*
b. Unbilled Expenses (timing differences)	982,687
c. Pay for Performance	708,260
d. TPL Recovery Expenses	308,128
e. Retroactive Premium Accrual	211,000
Total Amounts Receivable Relating to Uninsured Plans	\$ 6,335,267

* *Represents the difference between the administrative fee reimbursements from January through September received by VSHP and the State of Tennessee contractual guaranty of five million dollars per month, in accordance with the Umbrella Agreement.*

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans were as follows during 2008:

	(1)	(2)	(3)
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of actual expenses	\$ (13,709,261)	0	\$ (13,709,261)
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	(51,043)	0	(51,043)
c. Net Gain or (Loss) from operations	<u>\$ (13,760,304)</u>	<u>0</u>	<u>\$ (13,760,304)</u>
d. Total Claims Payment Volume	\$ 585,183,464	0	\$ 585,183,464

B. ASC Plans

The Company operated under an Exigency agreement with the State for the period July 1, 2000 through June 30, 2001. At the direction of the TDCI, premium and claims equivalents are disseminated throughout the NAIC filing.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

Not Applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No Change

20. Other Items

No Change

Notes to Financial Statement

21. Events Subsequent

	Net admitted assets reported as of 9/30/2008	Change in October		Adjusted value of remaining 9/30/2008 assets as of 10/31/2008
		Realized Gain/(Loss)	Unrealized Gain/(Loss)	
Bonds	\$23,422,606	-	-	\$23,422,606
Stocks				
Preferred	-	-	-	-
Common	-	-	-	-
Mortgage Loans	-	-	-	-
Other invested assets	-	-	-	-
	<u>\$23,422,606</u>	<u>-</u>	<u>-</u>	<u>\$23,422,606</u>
		(1)	(2)	
Total Capital and Surplus reported on quarterly statement as of 9/30/2008. (Health: pg 3, ln 31)				(3) <u>\$23,253,332</u>
Change in 9/30/08 surplus as a result of realized and unrealized gains/(losses) occurring October 2008 related to assets owned as of 9/30/08. ((1) + (2))				(4) <u>-</u>
Increase in Statutory Liabilities due to October market performance:				(5) <u>-</u>
Total Capital and Surplus restated ((3) + (4) + (5))				<u>\$23,253,332</u>
Percentage change in 9/30/08 surplus resulting from October 2008 restatement ((4+5) / (3))				<u>0.000 %</u>
22. Reinsurance				
No Change				
23. Retrospectively Rated Contracts and Contracts Subject to Redetermination				
No Change				
24. Change in Incurred Claims and Claim Adjustment Expenses				
No Change				
25. Intercompany Pooling Arrangements				
No Change				
26. Structured Settlements				
No Change				
27. Health Care Receivables				
No Change				
28. Participating Policies				
No Change				

Notes to Financial Statement

- 29. Premium Deficiency Reserve
No Change
- 30. Anticipated Salvage and Subrogation
No Change

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes[] No[X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes[] No[] N/A[X]

- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[] No[X]
- 2.2 If yes, date of change:

- 3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes[] No[X]
If yes, complete the Schedule Y - Part 1 - organizational chart.

- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....

- 5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes[] No[] N/A[X]
If yes, attach an explanation.

- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2006
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2006
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/11/2007
- 6.4 By what department or departments?
Tennessee Department of Commerce and Insurance
- 6.5 Have any financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes[X] No[] N/A[]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[X] No[] N/A[]

- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[] No[X]
- 7.2 If yes, give full information

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes[X] No[]
 - (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 - (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 - (c) Compliance with applicable governmental laws, rules and regulations;
 - (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 - (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended? Yes[] No[X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes[] No[X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[] No[X]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes[] No[X]
- 11.2 If yes, give full and complete information relating thereto:

- 12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ 0
- 13. Amount of real estate and mortgages held in short-term investments: \$ 0

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes[] No[X]

GENERAL INTERROGATORIES (Continued)

INVESTMENT

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds		
14.22 Preferred Stock		
14.23 Common Stock		
14.24 Short-Term Investments		
14.25 Mortgages Loans on Real Estate		
14.26 All Other		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement. Yes [] No [] N/A [X]

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Regions Morgan Keegan Trust	1100 Ridgeway Loop Ste 100 Memphis, TN 38120 ...

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [] No [X]

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
4161	Regions Morgan Keegan Trust	1100 Ridgeway Loop Ste 100 Memphis, TN 38120

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

17.2 If no, list exceptions:

SCHEDULE S - CEDED REINSURANCE
Showing All New Reinsurance Treaties - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Location	6 Type of Reinsurance Ceded	7 Is Insurer Authorized? (Yes or No)
			NONE			

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

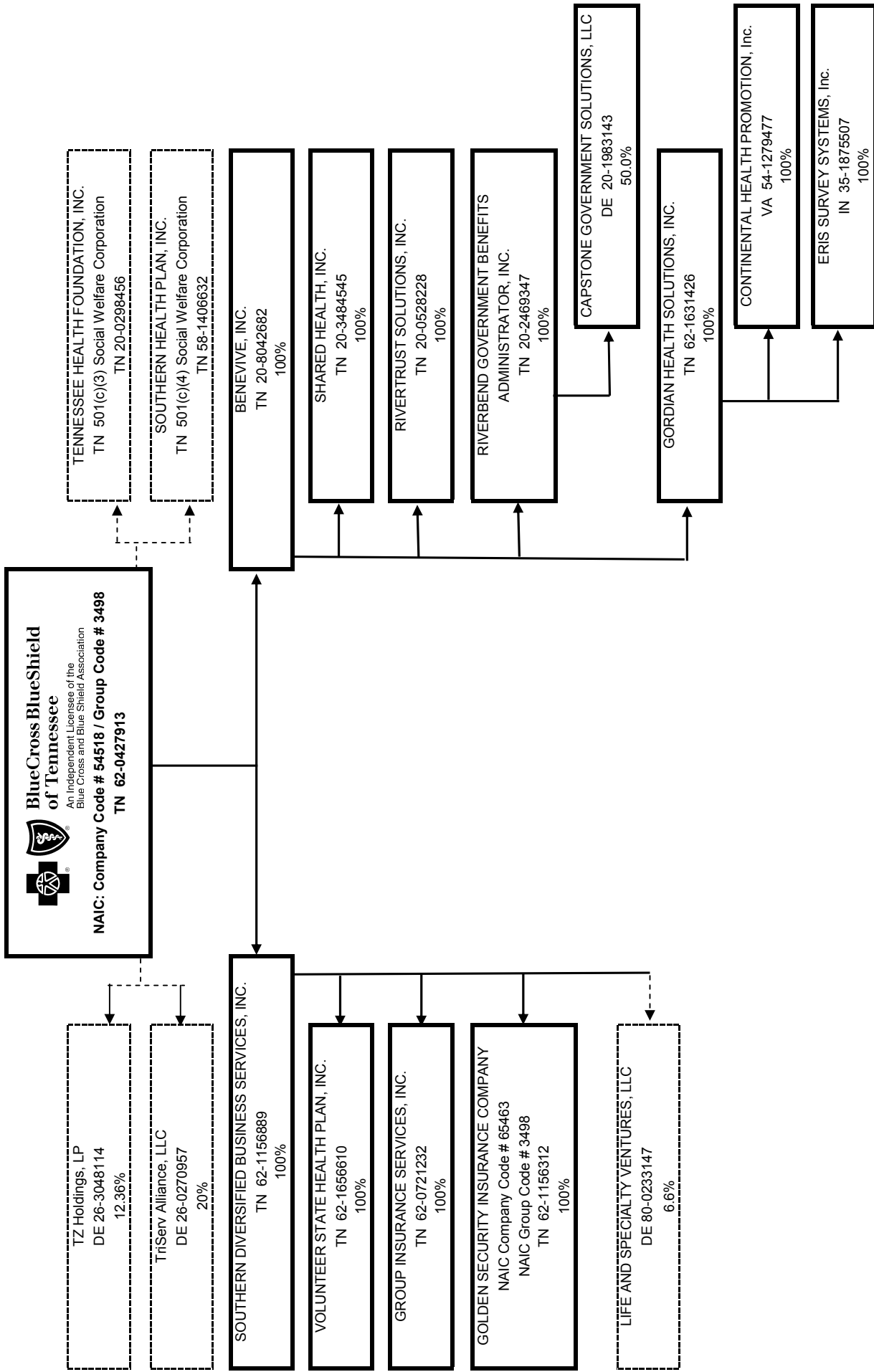
State, Etc.	1 Active Status	Direct Business Only							
		2 Accident and Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life and Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama (AL)	N								
2. Alaska (AK)	N								
3. Arizona (AZ)	N								
4. Arkansas (AR)	N								
5. California (CA)	N								
6. Colorado (CO)	N								
7. Connecticut (CT)	N								
8. Delaware (DE)	N								
9. District of Columbia (DC)	N								
10. Florida (FL)	N								
11. Georgia (GA)	N								
12. Hawaii (HI)	N								
13. Idaho (ID)	N								
14. Illinois (IL)	N								
15. Indiana (IN)	N								
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	N								
19. Louisiana (LA)	N								
20. Maine (ME)	N								
21. Maryland (MD)	N								
22. Massachusetts (MA)	N								
23. Michigan (MI)	N								
24. Minnesota (MN)	N								
25. Mississippi (MS)	N								
26. Missouri (MO)	N								
27. Montana (MT)	N								
28. Nebraska (NE)	N								
29. Nevada (NV)	N								
30. New Hampshire (NH)	N								
31. New Jersey (NJ)	N								
32. New Mexico (NM)	N								
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	N								
37. Oklahoma (OK)	N								
38. Oregon (OR)	N								
39. Pennsylvania (PA)	N								
40. Rhode Island (RI)	N								
41. South Carolina (SC)	N								
42. South Dakota (SD)	N								
43. Tennessee (TN)	L			(30,293)				(30,293)	
44. Texas (TX)	N								
45. Utah (UT)	N								
46. Vermont (VT)	N								
47. Virginia (VA)	N								
48. Washington (WA)	N								
49. West Virginia (WV)	N								
50. Wisconsin (WI)	N								
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	N								
55. U.S. Virgin Islands (VI)	N								
56. Northern Mariana Islands (MP)	N								
57. Canada (CN)	N								
58. Aggregate other alien (OT)	X X X								
59. Subtotal	X X X			(30,293)				(30,293)	
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. Total (Direct Business)	(a) 1			(30,293)				(30,293)	
DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



00000200836500003 (NAIC code not entered)

2008

Document Code: 365

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104.				
2105.				
2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196)				

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
	0604. Meharry Payments	X X X		(6,500,000)	(6,500,000)
0605. Trauma Center Payments	X X X		(13,787,600)	(13,787,600)
0606. Essential Provider Payments (EPP)	X X X		(75,000,000)	(75,000,000)
0697. Summary of remaining write-ins for Line 6 (Lines 0604 through 0696)	X X X		(95,287,600)	(95,287,600)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
4704.			
4705.			
4706.			
4707.			
4708.			
4709.			
4710.			
4711.			
4712.			
4713.			
4714.			
4715.			
4716.			
4717.			
4718.			
4797. Summary of remaining write-ins for Line 47 (Lines 4704 through 4796)			

SCHEDULE A - VERIFICATION**Real Estate**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

SCHEDULE B - VERIFICATION**Mortgage Loans**

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest paid		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

SCHEDULE BA - VERIFICATION**Other Long-Term Invested Assets**

Description	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

SCHEDULE D - VERIFICATION**Bonds and Stocks**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	26,433,012	28,556,862
2. Cost of bonds and stocks acquired	4,087,500	11,212,040
3. Accrual of discount	8,269	16,601
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		(2,597)
6. Deduct consideration for bonds and stocks disposed of	7,000,000	13,200,000
7. Deduct amortization of premium	106,175	149,894
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	23,422,606	26,433,012
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	23,422,606	26,433,012

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	31,064,264	21,467,926	27,662,524	(35,890)	39,036,177	31,064,264	24,833,776	29,850,957
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	31,064,264	21,467,926	27,662,524	(35,890)	39,036,177	31,064,264	24,833,776	29,850,957
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	31,064,264	21,467,926	27,662,524	(35,890)	39,036,177	31,064,264	24,833,776	29,850,957

Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....0; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0

SCHEDULE DA - PART 1**Short - Term Investments Owned End of Current Quarter**

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. Totals	1,411,170	X X X	1,411,170	540,603	

SCHEDULE DA - Verification**Short-Term Investments**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	3,417,945	2,058,551
2. Cost of short-term investments acquired	49,170,406	188,238,856
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	51,177,181	186,879,462
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized ...		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	1,411,170	3,417,945
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	1,411,170	3,417,945

SCHEDULE DB - PART F - SECTION 1

Summary of Replicated (Synthetic) Assets Open

1 Replication RSAT Number	Replicated (Synthetic) Asset			Components of the Replicated (Synthetic) Asset				Cash Instrument(s) Held			
	2 Description	3 NAIC Designation or Other Description	4 Statement Value	5 Fair Value	6 Derivative Instruments Open Description	7 Fair Value	8 CUSIP	9 Description	10 Statement Value	11 Fair Value	12 NAIC Designation or Other Description
					NONE						
9999999 Totals											
					XXX			XXX			XXX

SCHEDULE DB - PART F - SECTION 2
Reconciliation of Replicated (Synthetic) Assets Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
	1	2	3	4	5	6	7	8	9	10
	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replicated Asset Statement Value	XXX				XXX		XXX		XXX	
4. Less: Closed or Disposed of Transactions										
5. Less: Positions Disposed of for Failing Effectiveness Criteria										
6. Less: Decreases in Replicated (Synthetic) Asset Statement Value	XXX				XXX		XXX		XXX	
7. Ending Inventory										

NONE

SCHEDULE E - Verification
(Cash Equivalents)

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	.....	.....
2.	Cost of cash equivalents acquired .....	.....	.....
3.	Accrual of discount .....	.....	.....
4.	Unrealized valuation increase (decrease) .....	.....	.....
5.	Total gain (loss) on disposals .....	.....	.....
6.	Deduct consideration received on dis .....	.....	.....
7.	Deduct amortization of premium .....	.....	.....
8.	Total foreign exchange change in boc .....	.....	.....
9.	Deduct current year's other than temporary impairment recognized .....	.....	.....
10.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	.....	.....
11.	Deduct total nonadmitted amounts .....	.....	.....
12.	Statement value at end of current period (Line 10 minus Line 11) .....	.....	.....

NONE

SCHEDULE A - PART 2
Showing all Real Estate ACQUIRED and Additions Made During the Current Quarter

1 Description of Property	Location		4 Date Acquired	5 Name of Vendor	6 Actual Cost at Time of Acquisition	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Additional Investment Made After Acquisition
	2 City	3 State						
NONE								
0399999 Totals								

SCHEDULE A - PART 3
Showing All Real Estate DISPOSED During the Quarter, Including Payments During the Final Year on "Sales Under Contract"

1 Description of Property	Location		4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Expended for Additions, Permanent Improvements and Changes in Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances Prior Year	9 Current Year's Depreciation	10 Current Year's Other Than Temporary Impairment Recognized	11 Current Year's Change in Encumbrances	12 Total Change in B/A C.V. (11 - 9 - 10)	13 Total Foreign Exchange Change in B/A C.V.	14 Book/Adjusted Carrying Value Less Encumbrances at Disposal	15 Amounts Received During Year	16 Foreign Exchange Gain (Loss) on Disposal	17 Realized Gain (Loss) on Disposal	18 Total Gain (Loss) on Disposal	19 Gross Income Earned Less Interest Incurred on Encumbrances	20 Taxes, Repairs and Expenses Incurred
	2 City	3 State																	
NONE																			
0399999 Totals																			

SCHEDULE B - PART 2

Showing All Mortgage Loans ACQUIRED During the Current Quarter

1 Loan Number	2 Location		4 Loan Type	5 Date Acquired	6 Rate of Interest	7 Actual Cost at Time of Acquisition	8 Additional Investment Made After Acquisition	9 Value of Land and Buildings
	3 City	3 State						
NONE								
3399999 GRAND TOTAL								

SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

1 Loan Number	2 Location		4 Loan Type	5 Date Acquired	6 Disposal Date	7 Book/Recorded Value/Recorded Investment Excluding Accrued Interest Prior Year	8 Unrealized Valuation Increase (Decrease)	Change in Book Value/Recorded Investment				13 Total Foreign Exchange Change in Book Value	14 Book Value/Recorded Investment Excluding Accrued Interest on Disposal	15 Consideration	16 Foreign Exchange Gain (Loss) on Disposal	17 Realized Gain (Loss) on Disposal	18 Total Gain (Loss) on Disposal
	3 City	3 State						9 Current Year's (Amortization)/Accretion	10 Current Year's Other Than Temporary Impairment Recognized	11 Capitalized Deferred Interest and Other	12 Total Change in Book Value (8+9-10+11)						
NONE																	
0599999 Totals																	

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets ACQUIRED During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13
CUSIP Identification	Name or Description	Location		Name of Vendor or General Partner	NAIC Designation	Date Originally Acquired	Type and Strategy	Actual Cost at Time of Acquisition	Additional Investment Made After Acquisition	Amount of Encumbrances	Commitment for Additional Investment	Percentage of Ownership
NONE												
4199999 Totals												XXX

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
CUSIP Identification	Name or Description	Location		Name of Purchaser or Nature of Disposal	Date Originally Acquired	Disposal Date	Book/Adjusted Carrying Value Prior Year	Unrealized Valuation Increase (Decrease)	Current Year's (Depreciation) or (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Capitalized Deferred Interest and Other	Total Change in B./A.C.V. (9 + 10 - 11 + 12)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value Less Encumbrances on Disposal	Consideration	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Investment Income
NONE																			
4199999 Totals																			

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
3133XS4K1	FEDERAL HOME LOAN BANK		09/16/2008	Regions Trust	X X X	4,087,500	4,000,000.00		1
0399999	Subtotal - Bonds - U.S. Governments				X X X	4,087,500	4,000,000.00		X X X
6099997	Subtotal - Bonds - Part 3				X X X	X X X	X X X	X X X	X X X
6099998	Summary Item from Part 5 for Bonds (N/A to Quarterly)				X X X	4,087,500	4,000,000.00		X X X
6099999	Subtotal - Bonds				X X X	X X X	X X X	X X X	X X X
6599998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X
7299998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X
7399999	Subtotal - Preferred and Common Stocks				X X X	X X X	X X X	X X X	X X X
7499999	Total - Bonds, Preferred and Common Stocks				X X X	4,087,500	X X X		X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0.

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 F o r e i g n Date	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date	22 NAIC Designation or Market Indicator (a)																			
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11 + 12 - 13)	15 Total Foreign Exchange Change in B./A.C.V.																										
Bonds - U.S. Governments																																								
3133CYX5	FEDERAL HOME LOAN BANK		09/09/2008	CALLED @ 100.0000000	X X X	1,000,000	1,000,000.00	1,003,125	1,000,967				(967)						47,500	09/09/2010	1																			
0399999	Subtotal - Bonds - U.S. Governments				X X X	1,000,000	1,000,000.00	1,003,125	1,000,967			(967)							47,500																					
Bonds - Industrial and Miscellaneous (Unaffiliated)																																								
7591EPA48	REGIONS FINANCIAL		09/01/2008	MATURITY	X X X	3,000,000	3,000,000.00	2,996,670	2,999,293			707							135,000	09/09/2008	1FE																			
4599999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)				X X X	3,000,000	3,000,000.00	2,996,670	2,999,293			707							135,000	X X X	X X X																			
6099997	Subtotal - Bonds - Part 4				X X X	4,000,000	4,000,000.00	3,999,795	4,000,260			(260)							182,500	X X X	X X X																			
6099998	Summary Item from Part 5 for Bonds (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X			X X X							X X X	X X X	X X X																			
6099999	Subtotal - Bonds				X X X	4,000,000	4,000,000.00	3,999,795	4,000,260			(260)							182,500	X X X	X X X																			
6599996	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X			X X X							X X X	X X X	X X X																			
7299998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X			X X X							X X X	X X X	X X X																			
7399999	Subtotal - Preferred and Common Stocks				X X X	X X X	X X X	X X X	X X X			X X X							X X X	X X X	X X X																			
7499999	Total - Bonds, Preferred and Common Stocks				X X X	4,000,000	4,000,000.00	3,999,795	4,000,260			(260)							182,500	X X X	X X X																			

(a) For all common stock bearing the NAIC market indicator "U" provide the number of such issues0.

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/Option Premium	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income
	NONE												
9999999 Total								.XXX					

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Issuance/ Purchase	Exchange or Counterparty	Consideration Received	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis	Other Investment/ Miscellaneous Income
	NONE												
9999999 Total								.XXX					

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure
	NONE													
9999999 Total								XXX						

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date

1	2	3	4	5	6	7	8	9	Variation Margin Information			13	
									10	11	12		
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	Recognized	Used to Adjust Basis of Hedged Item	Deferred	Potential Exposure	
	NONE												
9999999 Total						XXX							

SCHEDULE E - PART 1 - CASH**Month End Depository Balances**

1 Depository		2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
						6 First Month	7 Second Month	8 Third Month	
open depositories									
Regions Bank	601 Market Street, Chattanooga, TN 37402					16,448,146	3,543,378	3,657,424	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402					1,671,405	2,282,950	2,844,401	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402					1,905,560	1,598,947	1,614,917	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402					10,248,115	1,469,921	1,253,840	X X X
0199998 Deposits in	4 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories	X X X	X X X			43,662	28,318	29,138	X X X
0199999 Totals - Open Depositories		X X X	X X X			30,316,888	8,923,514	9,399,720	X X X
0299998 Deposits in	0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories	X X X	X X X						X X X
0299999 Totals - Suspended Depositories		X X X	X X X						X X X
0399999 Total Cash On Deposit		X X X	X X X			30,316,888	8,923,514	9,399,720	X X X
0499999 Cash in Company's Office		X X X	X X X	X X X	X X X				X X X
0599999 Total Cash		X X X	X X X			30,316,888	8,923,514	9,399,720	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8799999 Total - Cash Equivalents							



MEDICARE PART D COVERAGE SUPPLEMENT
Net of Reinsurance
For the Quarter Ended September 30, 2008

NAIC Group Code: 0000

NAIC Company Code: 00000

	Individual Coverage		Group Coverage		5 Total Cash
	1 Insured	2 Uninsured	3 Insured	4 Uninsured	
1. Premiums Collected		X X X		X X X	
2. Earned Premiums		X X X		X X X	X X X
3. Claims Paid		X X X		X X X	
4. Claims Incurred		X X X		X X X	X X X
5. Reinsurance Coverage and Low Income Cost Sharing - Claims Paid Net of Reimbursements Applied (a)	NONE		X X X		
6. Aggregate Policy Reserves - change				X X X	X X X
7. Expenses Paid				X X X	
8. Expenses Incurred		X X X		X X X	X X X
9. Underwriting Gain or Loss		X X X		X X X	X X X
10. Cash Flow Results	X X X	X X X	X X X	X X X	

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$.0 due from CMS or \$.0 due to CMS

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EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
.....	NONE	.....	.....
0599999 Accident and health premiums due and unpaid (Page 2, Line 13)						

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
		NONE				
0799999 Gross health care receivables						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5	6	Admitted	
						7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually listed receivables							
NONE							
0199999 Total - individually listed receivables							
0299999 Receivables not individually listed							
0399999 Total gross amounts receivable							

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount	5	
			4 Current	Non-Current
BlueCross BlueShield of Tennessee	ITS claims, Administrative Services and Miscellaneous	8,512,143	7,917,812	594,331
0199999 Total - Individually listed payables	.....XXX.....	8,512,143	7,917,812	594,331
0299999 Payables not individually listed	.....XXX.....	.....	.....	.....
0399999 Total gross payables	.....XXX.....	8,512,143	7,917,812	594,331