

**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, 2009**

**2009**



**QUARTERLY STATEMENT**  
**AS OF September 30, 2009**  
**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 1 Cameron Hill Circle Chattanooga, TN 37402  
 (Street and Number) (City, or Town, State and Zip Code)

Main Administrative Office 1 Cameron Hill Circle  
 (Street and Number) Chattanooga, TN 37402  
 (City, or Town, State and Zip Code) (423)535-5600  
 (Area Code) (Telephone Number)

Mail Address 1 Cameron Hill Circle 1.3 Chattanooga, TN 37402  
 (Street and Number or P.O. Box) (City, or Town, State and Zip Code)

Primary Location of Books and Records 1 Cameron Hill Circle  
 (Street and Number) Chattanooga, TN 37402  
 (City, or Town, State and Zip Code) (423)535-5600  
 (Area Code) (Telephone Number)

Internet Web Site 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	
Steven Edward Kerr	Vice President, Finance	#
Sonya Kay Nelson	President & CEO	
Steven Lee Coulter MD	Managing Director	
Robert Stanley DeMerritt	Chief Financial Officer	
David Matthew Moroney MD	VP and Chief Medical Officer	#
Daniel Paul Timblin	Treasurer	
Alaine Marie Zachary	Assistant Treasurer	
Shelia Dian Clemons	Secretary	
Katharine Anne Laurance	Assistant Secretary	
Amber Jeanine Cambron	Vice President, Operations	#

**Other**

Judy Messer Slagle, Interim Chief Operating Officer #

**DIRECTORS OR TRUSTEES**

Vicky Brown Gregg, Chairman  
 John Francis Giblin

Steven Lee Coulter MD

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.

Sonya Kay Nelson  
 (Signature)  
 Sonya Kay Nelson  
 (Printed Name)  
 1.  
 President & CEO  
 (Title)

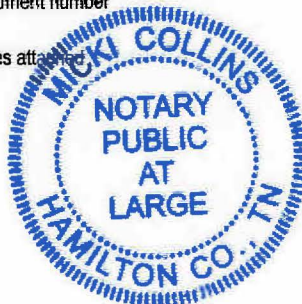
Shelia Dian Clemons  
 (Signature)  
 Shelia Dian Clemons  
 (Printed Name)  
 2.  
 Secretary  
 (Title)

Robert Stanley DeMerritt  
 (Signature)  
 Robert Stanley DeMerritt  
 (Printed Name)  
 3.  
 Chief Financial Officer  
 (Title)

Subscribed and sworn to before me this  
10TH day of NOV, 2009

Mick Collins  
 (Notary Public Signature)

- 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 \_\_\_\_\_



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 .....	72,652,500		72,652,500	27,615,542
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 (\$.....3,897,835), cash equivalents (\$.....0) and short-term investments (\$.....111,970,129) .....	115,867,964		115,867,964	66,737,947
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) .....	188,520,464		188,520,464	94,353,489
11. Title plants less \$.....0 charged off (for Title insurers only) .....				
12. Investment income due and accrued .....	730,358		730,358	390,187
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	18,482,408		18,482,408	5,885,037
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 .....	1,406,991		1,406,991	2,881,638
16.1 Current federal and foreign income tax recoverable and interest thereon .....				
16.2 Net deferred tax asset .....	4,458,012	1,359,141	3,098,871	13,069,574
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 .....	12,659,794		12,659,794	32,837,848
22. Health care (\$.....0) and other amounts receivable .....	6,086,579	213,450	5,873,129	2,225,049
23. Aggregate write-ins for other than invested assets .....	18,754		18,754	
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	232,363,360	1,572,591	230,790,769	151,642,822
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26. Total (Lines 24 and 25) .....	232,363,360	1,572,591	230,790,769	151,642,822
<b>DETAILS OF WRITE-INS</b>				
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 .....	18,754		18,754	
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	18,754		18,754	

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded) .....	144,512,490		144,512,490	62,220,304
2. Accrued medical incentive pool and bonus amounts .....				
3. Unpaid claims adjustment expenses .....	9,120,354		9,120,354	8,798,831
4. Aggregate health policy reserves .....				42,663,267
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserve .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....	575,145		575,145	818,453
9. General expenses due or accrued .....	4,914,819		4,914,819	4,497,863
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 .....	262,677		262,677	387,744
13. Remittances and items not allocated .....	1,428,113		1,428,113	129
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....				
16. Payable for securities .....	1,258,255		1,258,255	
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 .....	2,532,022		2,532,022	3,821,953
21. Aggregate write-ins for other liabilities (including \$.....0 current) .....	17,356,917		17,356,917	1,577,977
22. Total liabilities (Lines 1 to 21) .....	181,960,792		181,960,792	124,786,521
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	76,299,990	44,299,990
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	25,326,692	25,326,692
29. Unassigned funds (surplus) .....	X X X	X X X	(52,796,715)	(42,770,391)
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	48,829,977	26,856,301
32. Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	230,790,769	151,642,822
<b>DETAILS OF WRITE-INS</b>				
2101. Insured Premium Tax Payable .....	17,315,886		17,315,886	1,560,158
2102. Exigency Post Settlement Activity .....	31,218		31,218	285
2103. Pending Escheatment to State .....	9,813		9,813	17,534
2198. Summary of remaining write-ins for Line 21 from overflow page .....				
2199. TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....	17,356,917		17,356,917	1,577,977
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	25,326,692	25,326,692
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	25,326,692	25,326,692

**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	3,947,366		369,733
2. Net premium income (including \$.....0 non-health premium income) .....	X X X	887,213,357	(30,293)	77,924,108
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. Total revenues (Lines 2 to 7) .....	X X X	887,213,357	(30,293)	77,924,108
<b>Hospital and Medical:</b>				
9. Hospital/medical benefits .....		644,320,034	(241,442)	63,861,440
10. Other professional services .....		148,969,703	1,421	9,499,193
11. Outside referrals .....				
12. Emergency room and out-of-area .....		40,097,671	1,683	2,620,763
13. Prescription drugs .....				
14. Aggregate write-ins for other hospital and medical .....		31,502	137,838	139,336
15. Incentive pool, withhold adjustments and bonus amounts .....				
16. Subtotal (Lines 9 to 15) .....		833,418,910	(100,500)	76,120,732
<b>Less:</b>				
17. Net reinsurance recoveries .....				
18. Total hospital and medical (Lines 16 minus 17) .....		833,418,910	(100,500)	76,120,732
19. Non-health claims (net) .....				
20. Claims adjustment expenses, including \$.....23,498,053 cost containment expenses .....		77,543,575	5,665,986	18,622,849
21. General administrative expenses .....		39,946,690	8,036,520	11,153,144
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) .....				42,663,267
23. Total underwriting deductions (Lines 18 through 22) .....		950,909,175	13,602,006	148,559,992
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X	(63,695,818)	(13,632,299)	(70,635,884)
25. Net investment income earned .....		1,820,573	1,159,528	1,531,325
26. Net realized capital gains (losses) less capital gains tax of \$.....0 .....		(12,254)		
27. Net investment gains or (losses) (Lines 25 plus 26) .....		1,808,319	1,159,528	1,531,325
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 .....				
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	(61,887,499)	(12,472,771)	(69,104,559)
31. Federal and foreign income taxes incurred .....	X X X	(19,383,112)	(4,065,386)	(7,328,071)
32. Net income (loss) (Lines 30 minus 31) .....	X X X	(42,504,387)	(8,407,385)	(61,776,488)
<b>DETAILS OF WRITE-INS</b>				
0601. ....	X X X			
0602. ....	X X X			
0603. ....	X X X			
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X			
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X			
0701. ....	X X X			
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			
1401. Exigency Post-Settlement Activity .....		31,502	137,838	139,336
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) .....		31,502	137,838	139,336
2901. ....				
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) .....				

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33. Capital and surplus prior reporting year .....	26,856,301	31,363,217	31,363,217
34. Net income or (loss) from Line 32 .....	(42,504,387)	(8,407,385)	(61,776,488)
35. Change in valuation basis of aggregate policy and claim reserves .....	42,663,267		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 .....	(1,050)		
37. Change in net unrealized foreign exchange capital gain or (loss) .....			
38. Change in net deferred income tax .....	(12,654,629)	300,084	16,858,525
39. Change in nonadmitted assets .....	2,470,475	(2,584)	(3,788,951)
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 .....	32,000,000		44,200,000
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 .....			(2)
48. Net change in capital and surplus (Lines 34 to 47) .....	21,973,676	(8,109,885)	(4,506,916)
49. Capital and surplus end of reporting period (Line 33 plus 48) .....	48,829,977	23,253,332	26,856,301
<b>DETAILS OF WRITE-INS</b>			
4701. Rounding .....			(2)
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) .....			(2)

<b>Report #2A: TennCare Select Only</b>			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	198,110	623,133	1,213,001
<b>Estimated Revenues:</b>			
1. TennCare Capitation	93,746,859	285,943,244	348,691,309
2. Investment	-	-	-
3. Other Revenues	-	-	-
<b>4. Total Estimated Revenues (Lines 1 to 3)</b>	<b>93,746,859</b>	<b>285,943,244</b>	<b>348,691,309</b>
<b>Estimated Expenses:</b>			
<b>Hospital and Medical (w/o Mental Health)</b>			
5. Capitated Physician Services	356,750	1,025,094	1,595,426
6. Fee-for Service Physician Services	13,068,626	42,892,836	61,326,683
7. Inpatient Hospital Services	21,985,663	70,758,015	86,302,245
8. Outpatient Hospital Services	8,786,984	27,827,742	36,211,459
9. Emergency Room Services	1,628,869	5,312,030	9,380,153
10. Dental Services	-	-	1,775
11. Vision Services	79,391	212,023	244,907
12. Pharmacy Services	-	-	-
13. Home Health Services	28,766,608	86,312,613	87,087,535
14. Chiropractic Services	-	-	-
15. Radiology Services	552,022	1,668,619	2,528,144
16. Laboratory Services	471,968	1,516,814	2,794,614
17. Durable Medical Equipment Services	5,607,640	16,429,645	12,486,079
18. Transportation Services	1,007,194	2,982,195	6,385,619
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Other Medical and Hospital Services - Write-Ins	1,399,200	6,544,782	10,163,707
<b>23. Subtotal Medical and Hospital (Lines 5 to 22)</b>	<b>83,710,915</b>	<b>263,482,408</b>	<b>316,508,346</b>
<b>Mental Health and Substance Abuse Services</b>			
24. Inpatient Psychiatric Facility Services	6,763	6,763	-
25. Inpatient Substance Abuse Treatment and Detox	-	-	-
26. Outpatient Mental Health Services	19,919	19,919	-
27. Outpatient Substance Abuse Treatment and Detox	-	-	-
28. Housing/Residential Treatment	-	-	-
29. Specialized Crisis Services	-	-	-
30. Psychiatric Rehab and Support Services	-	-	-
31. Case Management	-	-	-
32. Forensics	-	-	-
33. Other Judicial	-	-	-
34. Pharmacy	-	-	-
35. Lab Services	2,595	2,595	-
36. Transportation	-	-	-
37. Medical Incentive Pool and Withhold Adjustments	-	-	-
38. Occupancy, Depreciation and Amortization	-	-	-
39. Other Mental Health and Substance Abuse Services	48,363	48,363	-
40. PCP and Specialist Services	-	-	-
41. Other Mental Health Services - Write-Ins	-	-	-
<b>42. Subtotal MH &amp; SAS (Lines 24 to 41)</b>	<b>77,640</b>	<b>77,640</b>	<b>-</b>
<b>43. Subtotal Hospital, Medical, MH &amp; SAS (Lines 23 and 42)</b>	<b>83,788,555</b>	<b>263,560,048</b>	<b>316,508,346</b>
<b>LESS:</b>			
44. Net Reinsurance Recoveries Incurred	-	-	-
45. Copayments	3,755	11,925	22,560
46. Subrogation and Coordination of Benefits	430,270	1,342,318	2,859,555
<b>47. Subtotal Reinsurance, Copay, Subrogation (Lines 44 to 46)</b>	<b>434,025</b>	<b>1,354,243</b>	<b>2,882,115</b>
<b>48. Total Hospital, Medical, MH &amp; SAS (Lines 43 and 47)</b>	<b>83,354,530</b>	<b>262,205,805</b>	<b>313,626,231</b>
<b>Administration:</b>			
49. Compensation	3,093,066	9,899,205	18,203,148
50. Marketing	-	-	-
51. Interest Expense	-	-	-
52. Premium Tax Expense	5,345,552	9,189,480	6,973,826
53. Occupancy, Depreciation, and Amortization	169,505	542,494	997,564
54. Other Administration - Write-Ins	1,354,441	4,334,824	7,971,092
<b>55. Total Administration Expenses (Lines 49 to 54)</b>	<b>9,962,564</b>	<b>23,966,003</b>	<b>34,145,630</b>
<b>56. Total Expenses (Lines 48 and 55)</b>	<b>93,317,094</b>	<b>286,171,808</b>	<b>347,771,861</b>
57. Extraordinary Item	-	-	-
58. Provision for Income Tax	150,417	(79,998)	321,807
<b>59. Net Income (Loss) (Line 4 Less Lines 56, 57 and 58)</b>	<b>279,348</b>	<b>(148,566)</b>	<b>597,641</b>
<b>Write-Ins for Other Expense</b>			
<b>Detail of Other Revenues</b>			
0301.	-	-	-
0399. Total Other Revenues	-	-	-
<b>Detail of Other Medical and Hospital:</b>			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	1,807,404	5,350,270	6,332,491
2202. Out of Area Claims Expense	418,546	2,167,292	1,651,461
2203. Bad Debt Expense	(826,750)	(972,780)	2,179,755
2299. Total Other Medical and Hospital	1,399,200	6,544,782	10,163,707
<b>Detail of Other MH &amp; SAS:</b>			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
<b>Detail of Other Administration:</b>			
5401. Equipment Rental	567,352	1,815,783	3,338,953
5402. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	303,038	969,858	1,783,426
5403. Auditing, Actuarial, and Other Consulting	159,033	508,979	935,936
5404. Postage/Telephone	151,351	484,391	890,721
5405. Outsourced Services	127,704	408,711	751,558
5406. Printing and Stationary	45,963	147,102	270,498
5499. Total Other Administration	1,354,441	4,334,824	7,971,092



<b>Report #2A: BlueCare West Only</b>			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	564,524	1,727,839	369,733
<b>Estimated Revenues:</b>			
1. TennCare Capitation	123,353,435	372,712,280	78,007,924
2. Investment	253,432	808,251	282,694
3. Other Revenues	-	-	-
<b>4. Total Estimated Revenues (Lines 1 to 3)</b>	<b>123,606,867</b>	<b>373,520,531</b>	<b>78,290,618</b>
<b>Estimated Expenses:</b>			
<b>Hospital and Medical (w/o Mental Health)</b>			
5. Capitated Physician Services	543,896	2,418,698	409,492
6. Fee-for Service Physician Services	33,544,127	100,013,150	41,179,485
7. Inpatient Hospital Services	30,042,542	97,801,690	13,957,028
8. Outpatient Hospital Services	18,744,084	55,802,671	7,874,076
9. Emergency Room Services	7,657,225	22,548,035	2,393,352
10. Dental Services	303	303	-
11. Vision Services	99,937	260,837	203,280
12. Pharmacy Services	-	-	-
13. Home Health Services	5,691,749	16,456,254	764,412
14. Chiropractic Services	-	-	-
15. Radiology Services	2,493,009	7,034,753	2,375,837
16. Laboratory Services	2,723,127	7,757,746	2,781,843
17. Durable Medical Equipment Services	2,994,374	8,173,144	1,271,999
18. Transportation Services	3,640,776	9,948,190	2,005,801
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Other Medical and Hospital Services - Write-Ins	2,733,620	5,867,992	21,790,394
<b>23. Subtotal Medical and Hospital (Lines 5 to 22)</b>	<b>110,908,769</b>	<b>334,083,463</b>	<b>97,006,999</b>
<b>Mental Health and Substance Abuse Services</b>			
24. Inpatient Psychiatric Facility Services	1,636,129	3,683,446	253,009
25. Inpatient Substance Abuse Treatment and Detox	89,906	158,535	17,127
26. Outpatient Mental Health Services	1,128,721	1,875,124	91,843
27. Outpatient Substance Abuse Treatment and Detox	-	-	-
28. Housing/Residential Treatment	789,954	1,412,008	-
29. Specialized Crisis Services	733,057	747,163	-
30. Psychiatric Rehab and Support Services	31,440	64,425	-
31. Case Management	3,364,981	4,800,300	-
32. Forensics	-	-	-
33. Other Judicial	-	-	-
34. Pharmacy	-	-	-
35. Lab Services	52,907	142,290	3,984
36. Transportation	-	-	-
37. Medical Incentive Pool and Withhold Adjustments	-	-	-
38. Occupancy, Depreciation and Amortization	-	-	-
39. Other Mental Health and Substance Abuse Services	2,361,512	3,666,233	8,005
40. PCP and Specialist Services	-	-	-
41. Other Mental Health Services - Write-Ins	-	-	-
<b>42. Subtotal MH &amp; SAS (Lines 24 to 41)</b>	<b>10,188,607</b>	<b>16,549,524</b>	<b>373,968</b>
<b>43. Subtotal Hospital, Medical, MH &amp; SAS (Lines 23 and 42)</b>	<b>121,097,376</b>	<b>350,632,987</b>	<b>97,380,967</b>
<b>LESS:</b>			
44. Net Reinsurance Recoveries Incurred	-	-	-
45. Copayments	26,232	79,852	6,140
46. Subrogation and Coordination of Benefits	-	-	-
<b>47. Subtotal Reinsurance, Copay, Subrogation (Lines 44 to 46)</b>	<b>26,232</b>	<b>79,852</b>	<b>6,140</b>
<b>48. Total Hospital, Medical, MH &amp; SAS (Lines 43 and 47)</b>	<b>121,071,144</b>	<b>350,553,135</b>	<b>97,374,827</b>
<b>Administration:</b>			
49. Compensation	9,053,048	23,728,325	6,090,467
50. Marketing	-	-	-
51. Interest Expense	-	-	-
52. Premium Tax Expense	6,951,207	11,938,196	1,560,158
53. Occupancy, Depreciation, and Amortization	496,124	1,300,354	333,768
54. Other Administration - Write-Ins	3,964,295	10,390,547	2,666,995
<b>55. Total Administration Expenses (Lines 49 to 54)</b>	<b>20,464,674</b>	<b>47,357,422</b>	<b>10,651,388</b>
<b>56. Total Expenses (Lines 48 and 55)</b>	<b>141,535,818</b>	<b>397,910,557</b>	<b>108,026,215</b>
57. Extraordinary Item	-	-	-
58. Provision for Income Tax	(6,879,672)	(9,173,043)	(1,367,077)
<b>59. Net Income (Loss) (Line 4 Less Lines 56, 57 and 58)</b>	<b>(11,049,279)</b>	<b>(15,216,983)</b>	<b>(28,368,520)</b>
<b>Write-Ins for Other Expense</b>			
Detail of Other Revenues			
0301.	-	-	-
0399. Total Other Revenues	-	-	-
Detail of Other Medical and Hospital:			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	2,724,660	5,630,193	413,128
2202. Out of Area Claims Expense	8,960	237,799	225,980
2203. (Dec)/Inc in Reserves for Life and Accident and Health Contracts	-	-	21,151,286
2204.	-	-	-
<b>2299. Total Other Medical and Hospital</b>	<b>2,733,620</b>	<b>5,867,992</b>	<b>21,790,394</b>
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
<b>4199. Total Other MH &amp; SAS</b>	<b>-</b>	<b>-</b>	<b>-</b>
Detail of Other Administration:			
5401. Equipment Rental	1,660,574	4,352,420	1,117,158
5402. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	886,958	2,324,746	596,705
5403. Auditing, Actuarial, and Other Consulting	465,473	1,220,020	313,149
5404. Postage/Telephone	442,986	1,161,081	298,020
5405. Outsourced Services	373,776	979,678	251,459
5406. Printing and Stationary	134,528	352,602	90,504
<b>5499. Total Other Administration</b>	<b>3,964,295</b>	<b>10,390,547</b>	<b>2,666,995</b>

<b>Report #2A: BlueCare East Only</b>			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	724,732	2,219,527	
<b>Estimated Revenues:</b>			
1. TennCare Capitation	173,766,957	516,640,338	-
2. Investment	322,550	1,043,810	-
3. Other Revenues	-	-	-
<b>4. Total Estimated Revenues (Lines 1 to 3)</b>	<b>174,089,507</b>	<b>517,684,148</b>	<b>-</b>
<b>Estimated Expenses:</b>			
<b>Hospital and Medical (w/o Mental Health)</b>			
5. Capitated Physician Services	654,272	3,445,301	-
6. Fee-for Service Physician Services	53,119,426	180,456,420	-
7. Inpatient Hospital Services	34,252,950	107,494,382	-
8. Outpatient Hospital Services	20,490,203	70,556,252	-
9. Emergency Room Services	5,006,515	17,241,579	-
10. Dental Services	982	982	-
11. Vision Services	158,142	489,130	-
12. Pharmacy Services	-	-	-
13. Home Health Services	8,358,770	22,701,297	-
14. Chiropractic Services	-	-	-
15. Radiology Services	3,080,643	9,667,090	-
16. Laboratory Services	3,265,718	10,928,576	-
17. Durable Medical Equipment Services	5,609,270	15,988,727	-
18. Transportation Services	5,477,134	13,019,083	-
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Other Medical and Hospital Services - Write-Ins	2,415,194	7,324,260	21,511,981
<b>23. Subtotal Medical and Hospital (Lines 5 to 22)</b>	<b>141,889,219</b>	<b>459,313,079</b>	<b>21,511,981</b>
<b>Mental Health and Substance Abuse Services</b>			
24. Inpatient Psychiatric Facility Services	1,378,868	3,697,000	-
25. Inpatient Substance Abuse Treatment and Detox	141,185	327,907	-
26. Outpatient Mental Health Services	2,427,240	4,246,456	-
27. Outpatient Substance Abuse Treatment and Detox	-	-	-
28. Housing/Residential Treatment	2,546,035	4,591,956	-
29. Specialized Crisis Services	6,209,490	6,209,490	-
30. Psychiatric Rehab and Support Services	38,331	92,741	-
31. Case Management	1,679,262	2,405,742	-
32. Forensics	-	-	-
33. Other Judicial	-	-	-
34. Pharmacy	-	-	-
35. Lab Services	94,833	233,683	-
36. Transportation	-	-	-
37. Medical Incentive Pool and Withhold Adjustments	-	-	-
38. Occupancy, Depreciation and Amortization	-	-	-
39. Other Mental Health and Substance Abuse Services	3,233,156	4,174,163	-
40. PCP and Specialist Services	-	-	-
41. Other Mental Health Services - Write-Ins	-	-	-
<b>42. Subtotal MH &amp; SAS (Lines 24 to 41)</b>	<b>17,748,400</b>	<b>25,979,138</b>	<b>-</b>
<b>43. Subtotal Hospital, Medical, MH &amp; SAS (Lines 23 and 42)</b>	<b>159,637,619</b>	<b>485,292,217</b>	<b>21,511,981</b>
<b>LESS:</b>			
44. Net Reinsurance Recoveries Incurred	-	-	-
45. Copayments	58,944	181,114	-
46. Subrogation and Coordination of Benefits	-	-	-
<b>47. Subtotal Reinsurance, Copay, Subrogation (Lines 44 to 46)</b>	<b>58,944</b>	<b>181,114</b>	<b>-</b>
<b>48. Total Hospital, Medical, MH &amp; SAS (Lines 43 and 47)</b>	<b>159,578,675</b>	<b>485,111,103</b>	<b>21,511,981</b>
<b>Administration:</b>			
49. Compensation	12,642,818	33,450,051	-
50. Marketing	-	-	-
51. Interest Expense	-	-	-
52. Premium Tax Expense	10,009,909	16,867,377	-
53. Occupancy, Depreciation, and Amortization	692,848	1,833,121	-
54. Other Administration - Write-Ins	5,536,246	14,647,656	-
<b>55. Total Administration Expenses (Lines 49 to 54)</b>	<b>28,881,821</b>	<b>66,798,205</b>	<b>-</b>
<b>56. Total Expenses (Lines 48 and 55)</b>	<b>188,460,496</b>	<b>551,909,308</b>	<b>21,511,981</b>
57. Extraordinary Item	-	-	-
58. Provision for Income Tax	(6,828,365)	(11,648,440)	-
<b>59. Net Income (Loss) (Line 4 Less Lines 56, 57 and 58)</b>	<b>(7,542,624)</b>	<b>(22,576,720)</b>	<b>(21,511,981)</b>
<b>Write-Ins for Other Expense</b>			
Detail of Other Revenues			
0301.	-	-	-
0399. Total Other Revenues	-	-	-
Detail of Other Medical and Hospital:			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	2,396,733	6,855,168	-
2202. Out of Area Claims Expense	18,461	469,092	-
2203. Decrease in Reserves for Life and Accident and Health Contracts	-	-	21,511,981
2204.	-	-	-
<b>2299. Total Other Medical and Hospital</b>	<b>2,415,194</b>	<b>7,324,260</b>	<b>21,511,981</b>
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
<b>4199. Total Other MH &amp; SAS</b>	<b>-</b>	<b>-</b>	<b>-</b>
Detail of Other Administration:			
5401. Equipment Rental	2,319,039	6,135,651	-
5402. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	1,238,662	3,277,218	-
5403. Auditing, Actuarial, and Other Consulting	650,045	1,719,873	-
5404. Postage/Telephone	618,642	1,636,787	-
5405. Outsourced Services	521,987	1,381,061	-
5406. Printing and Stationary	187,871	497,066	-
<b>5499. Total Other Administration</b>	<b>5,536,246</b>	<b>14,647,656</b>	<b>-</b>

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**CASH FLOW**

		1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>			
1.	Premiums collected net of reinsurance .....	874,372,678	113,749,449
2.	Net investment income .....	1,755,884	1,646,535
3.	Miscellaneous income .....		
4.	Total (Lines 1 to 3) .....	876,128,562	115,395,984
5.	Benefit and loss related payments .....	751,126,724	56,563,695
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	116,567,070	11,593,568
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	(19,383,112)	(7,328,071)
10.	Total (Lines 5 through 9) .....	848,310,682	60,829,192
11.	Net cash from operations (Line 4 minus Line 10) .....	27,817,880	54,566,792
<b>Cash from Investments</b>			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	21,346,193	7,000,000
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 .....	1,258,255	
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	22,604,448	7,000,000
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	66,670,887	8,319,000
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) .....	66,670,887	8,319,000
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) .....	(44,066,439)	(1,319,000)
<b>Cash from Financing and Miscellaneous Sources</b>			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....	32,000,000	44,200,000
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) .....	33,378,576	(40,210,071)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6) .....	65,378,576	3,989,929
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	49,130,017	57,237,721
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	66,737,947	9,500,226
19.2	End of period (Line 18 plus Line 19.1) .....	115,867,964	66,737,947

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

Description		Amount 1	Amount 2
20.0001	.....		

## EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year .....	189,281								189,281	
2. First Quarter .....	443,854								443,854	
3. Second Quarter .....	447,249								447,249	
4. Third Quarter .....	421,492								421,492	
5. Current Year .....										
6. Current Year Member Months .....	3,947,366								3,947,366	
Total Member Ambulatory Encounters for Period:										
7. Physician .....	4,136,181								4,136,181	
8. Non-Physician .....	359,668								359,668	
9. Total .....	4,495,849								4,495,849	
10. Hospital Patient Days Incurred .....	256,639								256,639	
11. Number of Inpatient Admissions .....	43,377								43,377	
12. Health Premiums Written (a) .....	887,213,357								887,213,357	
13. Life Premiums Direct .....										
14. Property/Casualty Premiums Written .....										
15. Health Premiums Earned .....	887,213,357								887,213,357	
16. Property/Casualty Premiums Earned .....										
17. Amount Paid for Provision of Health Care Services .....	751,126,724								751,126,724	
18. Amount Incurred for Provision of Health Care Services .....	833,418,910								833,418,910	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$.....0.

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

**Aging Analysis of Unpaid Claims**

	1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
0199999 Individually Listed Claims Unpaid							
0299999 Aggregate Accounts Not Individually Listed - Uncovered							
0399999 Aggregate Accounts Not Individually Listed - Covered		14,819,547	115,725	7,530	3,567	18,231	14,964,600
0499999 Subtotals		14,819,547	115,725	7,530	3,567	18,231	14,964,600
0599999 Unreported claims and other claim reserves							129,547,890
0699999 Total Amounts Withheld							
0799999 Total Claims Unpaid							144,512,490
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 .....	53,668,819	697,457,905	753,024	143,759,466	54,421,843	62,220,304
8. Other health .....						
9. Health subtotal (Lines 1 to 8) .....	53,668,819	697,457,905	753,024	143,759,466	54,421,843	62,220,304
10. Healthcare receivables (a) .....						
11. Other non-health .....						
12. Medical incentive pools and bonus amounts .....						
13. Totals .....	53,668,819	697,457,905	753,024	143,759,466	54,421,843	62,220,304

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

## Notes to Financial Statement

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

The accompanying financial statements of Volunteer State Health Plan, Inc. (VSHP or 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 and for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP), version effective January 1, 2009, has been adopted as a component of prescribed or permitted practices by the State of Tennessee. Prescribed accounting practices are those practices which are incorporated directly or by reference to state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled in a particular state. Permitted accounting practices include deviations from NAIC Statutory Accounting Principles (SAP) specifically requested by an insurer and granted by the Commissioner of Insurance. These statements have no deviations from NAIC SAP other than as described in the following paragraph.

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 decrease and claims would increase by \$2,830 through September 30, 2009.

At the request of the TDCI, TennCare Division, VSHP does not report the ASO 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.

The TDCI, TennCare Division, allows a prescribed practice of admitting the most current 90 days of Health Care Receivables (per Tennessee Code Annotated (TCA) §56-32-112 (a)(5)(D)). The TDCI also accepts VSHP's reporting of admitted net deferred tax asset.

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

	<u>2009</u>	<u>2008</u>
(1) Net Loss Tennessee statutory basis	\$ (42,504,387)	\$ (61,776,488)
(2) Tennessee Prescribed Practices:		
(3) Net Loss, NAIC SAP	<u>\$ (42,504,387)</u>	<u>\$ (61,776,488)</u>
(4) Statutory Surplus, State of Tennessee	48,829,977	26,856,301
(5) Tennessee Prescribed Practices (Surplus):		
Admission of Net Deferred Tax Asset	<u>0</u>	<u>(13,069,574)</u>
(6) Statutory Surplus, NAIC SAP	<u>\$ 48,829,977</u>	<u>\$ 13,786,727</u>

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policy

Health premiums are recognized at contractual rates and are earned during the month member coverage is provided. Expenses are charged to operations as they are incurred.

In accordance with TCA §56-11-106(b), the maximum amount of dividends which can be paid by State of Tennessee insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to the greater of ten percent (10%) of net worth of the preceding December 31 or the net gain from operations for the preceding year. The Company may currently pay dividends of \$2,685,630 to BlueCross BlueShield of Tennessee, Inc. (the Parent) based on the 2008 net worth. Any material dividend distributions require approval by the TDCI. No dividends were paid to shareholders during 2008 or through September 30, 2009.



## Notes to Financial Statement

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the scientific amortization method.
- (3) The Company does not hold common stock.
- (4) The Company does not hold preferred stock.
- (5) The Company does not hold mortgage loans.
- (6) The Company does not hold loan-backed securities.
- (7) The Company does not hold investments in subsidiaries, controlled and affiliated companies.
- (8) The Company does not hold investments in joint ventures, partnerships or limited liability companies.
- (9) The Company does not carry derivatives.
- (10) The Company uses anticipated investment income as a factor in the premium deficiency calculation in accordance with SSAP No. 54, *Individual and Group Accident Health Contracts*.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Company does not have a capitalization policy due to fixed assets being held by BlueCross BlueShield of Tennessee (BCBST).

### 2. Accounting Changes and Corrections of Errors

- A. At December 31, 2008, the Company reported a \$42,663,267 premium deficiency reserve for the East and West risk contracts. Using guidance provided by TDCI, TennCare Division in an April 2009 letter, VSHP changed the reserving methodology to include the full contract period. This change in reserving methodology eliminated the need for the reserve as of December 31, 2008. This change in the reserve has been recorded directly to surplus in June 2009 and is shown on the Statement of Revenue and Expenses, line 35, Change in valuation basis of aggregate policy and claim reserves. The Company has no premium deficiency reserve at September 30, 2009.
- B. The Company reclassified \$315,000 from prepaid expenses to health care receivables in the prior year column on first quarter filing.

### 3. Business Combinations and Goodwill

#### A. Statutory Purchase Method

No business combinations taking the form of a statutory purchase have occurred.

#### B. Statutory Merger

No business combinations taking the form of a statutory merger have occurred.

#### C. Assumption Reinsurance

The Company has no goodwill resulting from assumption reinsurance.

#### D. Impairment Loss

The Company did not record an impairment loss relating to the above transaction types.

### 4. Discontinued Operations

Members under the Stabilization Plan, an ASO arrangement beginning July 1, 2002 through December 31, 2008 were transitioned to an at-risk contract effective January 1, 2009.

### 5. Investments

#### A. Mortgage Loans

The Company had no mortgage loans.

**Notes to Financial Statement**

## B. Debt Restructuring

The Company had no debt restructuring.

## C. Reverse Mortgages

The Company had no reverse mortgages.

## D. Loan-Backed Securities

The Company had no loan-backed securities.

## E. Repurchase Agreements

The Company had no repurchase agreements.

## F. Real Estate

The Company had no real estate.

## G. Investments in Low Income Housing Tax Credits (LIHTC)

The Company had no investments in low income housing tax credits.

## 6. Joint Ventures, Partnerships and Limited Liability Companies

The Company had no investments in joint ventures, partnerships and limited liability companies.

## 7. Investment Income

A. No investment income due and accrued was excluded from surplus.

B. The total amount excluded was \$0.

## 8. Derivative Instruments

The Company had no derivative instruments.

## 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:

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
(1) Total of gross deferred tax assets (admitted and nonadmitted)	\$ 4,458,012	\$ 17,112,641
(2) Total of deferred tax liabilities	0	0
(3) Net deferred tax assets	<u>4,458,012</u>	<u>17,112,641</u>
(4) Deferred tax assets nonadmitted	1,359,141	4,043,067
(5) Net admitted deferred tax assets	<u>\$ 3,098,871</u>	<u>\$ 13,069,574</u>
(6) Increase (decrease) in nonadmitted asset	<u>\$ (2,683,926)</u>	<u>\$ 3,788,951</u>

B. No change

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

	<u>September 30, 2009</u>	<u>December 31, 2008</u>	<u>Change</u>
Total deferred tax assets (admitted and non-admitted)	\$ 4,458,012	\$ 17,112,641	\$ (12,654,629)
Total deferred tax liabilities	0	0	0
Net deferred tax assets (deferred assets less liabilities)	<u>\$ 4,458,012</u>	<u>\$ 17,112,641</u>	<u>(12,654,629)</u>
Write-off DTA for prior year PDR liability			14,932,142
Change in net deferred income tax			<u>\$ 2,277,513</u>

**Notes to Financial Statement**

- 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:

	<u>September 30, 2009</u>	<u>Effective Tax Rate</u>
Provision computed at federal statutory rate	\$ (21,660,625)	(35.0)%
Federal and foreign income taxes incurred	\$ (19,383,112)	(31.3)
Change in net deferred income tax	<u>(2,277,513)</u>	<u>(3.7)</u>
Total statutory income taxes without effects of deferred tax assets and liabilities	<u>\$ (21,660,625)</u>	<u>(35.0)%</u>

- E. The Company has neither net capital loss carry-forwards nor net operating loss carry-forwards.

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

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

- (2) The method of tax allocation among the members of the affiliated group is subject to a written agreement, approved by the Board of Directors. Allocation is based on 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 holds non-controlling interests in two joint ventures, a 20% interest in TriServ Alliance, LLC (TriServ) and an approximately 12.5% interest in TZ Holdings, LP. Due to the non-controlled nature of the joint venture interest, the Company has decided to make application with the TDCI to reclassify the investment in TZ out of the Subsidiary, Controlled and Affiliate category and remove it from Schedule Y.

BeneVive owns 100% of the for-profit corporations: Shared Health, Inc. (Shared Health), Gordian Health Solutions, Inc. (Gordian), Riverbend Government Benefits Administrator, Inc. (Riverbend), Security Care, Inc. (Security Care), and RiverTrust Solutions, Inc. (RiverTrust). Shared Health is a health information technology company. Gordian mitigates the rising cost of health care by encouraging the formation of healthy lifestyle behaviors and providing case management for existing illnesses. Riverbend performs services as a Medicare Administrative Contractor or subcontractor for the Centers for Medicare and Medicaid Services (Medicare) pursuant to the Medicare Modernization Act of 2003. Security Care 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 Medicaid. RiverTrust is a Qualified Independent Contractor able to bid on Medicare appeals workloads.

BCBST transferred \$5,852,098 in 2009 and \$18,082,749 in 2008 to BeneVive as additional capital contributions. These additional capital contributions were passed through to the following entities in the following amounts:

	<u>Nine Months September 30, 2009</u>	<u>Twelve Months December 31, 2008</u>
Gordian	\$ 3,802,098	\$ 8,705,749
Riverbend	0	2,500,000
RiverTrust	0	2,100,000
Shared Health	2,050,000	4,450,000
BeneVive	0	327,000
Total	<u>\$ 5,852,098</u>	<u>\$ 18,082,749</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 TennCare<sup>SM</sup> program through its Managed Care Organization (MCO), VSHP, which is contracted by the State of Tennessee to provide services for TennCare<sup>SM</sup> members. BCBST transferred \$51,000,000 in 2009 and \$4,200,000 in 2008 to SDBS as additional capital contributions. These additional contributions were passed through SDBS to VSHP. In 2008, SDBS exchanged the 10% interest it owned in USable Life (USable) as well as the USable profit sharing rights held by GIS for a 6.6% interest in Life and Specialty Ventures, LLC (LSV), which is the parent company of USable.

## Notes to Financial Statement

TriServ is a limited liability company formed in 2007 by BCBST and six other non-investor owned BlueCross and BlueShield plans in the southern United States. TriServ's primary purpose was 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 \$8,468,000 and \$2,400,000 to TriServ in 2009 and 2008, respectively. The contract with TRICARE was awarded to a competitor, and the investors in TriServ have decided to pursue its dissolution.

TZ Holdings, LP (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. BCBST is not affiliated with the other owners. 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 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. BCBST transferred \$115,000,000 to TZ in 2008 in exchange for its minority interest.

Tennessee Health Foundation, Inc. (THF), doing business as BlueCross BlueShield of Tennessee Health Foundation, is a public benefit nonprofit 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. BCBST appoints the board of directors of SHP, which has been granted a 501(c) (4) tax exemption by the Internal Revenue Service.

- B. The Company 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.
- C. The Company paid BCBST for services performed under the administrative services and tax sharing agreements \$38,875,657 and \$43,837,831 in 2009 and 2008 respectively. While these are net amounts, the Company is developing a methodology for reporting numbers on a gross basis.
- D. The Company reported \$12,659,794 and \$32,837,848 as due from BCBST as of September 30, 2009 and December 31, 2008, respectively.
- E. The Company has no guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party that result in a material contingent exposure of the reporting entity's or any related party's assets or liabilities.
- F. BCBST is the contractor for CoverKids, a state-sponsored program pursuant to Tennessee Code Annotated § 71-3-1101 et seq.; Cover TN, a state-sponsored program pursuant to T.C.A. § 56-7-3001 et seq.; and AccessTN, a state-sponsored program pursuant to T.C.A. § 56-7-2901 et seq. These state-sponsored programs are each administered by separate contract whereby BCBST is the selected Contractor. BCBST subcontracts with its wholly-owned subsidiary, VSHP, to provide certain services required under the Cover Tennessee contracts, including but not limited to claims processing, customer service, contract administration, medical management and membership services. The provision of services, and expenses related thereto, is documented in the form of inter-company administrative services agreements between BCBST and VSHP.  

On April 18, 2009, the Tennessee Department of Finance and Administration (F&A) approved VSHP to act as a subcontractor under the Cover Tennessee contracts pursuant to these intercompany agreements. The risk for the Cover Tennessee contracts is retained by BCBST and the financial balances related to the Cover Tennessee contracts are recorded on the financial statements of BCBST. VSHP is compensated for costs incurred under the administrative services agreements through inter-company payables and receivables, which are cleared monthly.

While a methodology for reporting gross amounts is being developed, the Company reports a net amount paid for the above administrative services agreements.
- G. All outstanding shares of the Company are owned by SDBS, an insurance holding company domiciled in the State of Tennessee.
- H. The Company deducted no amounts from the value of an upstream intermediate entity.
- I. The Company has no investment in SCA entity that exceeds 10% of admitted assets.
- J. The Company has no investments in impaired SCA entities.
- K. The Company has no investments in foreign insurance subsidiaries.
- L. The Company is not using the 'look-through' approach to admit any investment in an SCA entity, joint venture, partnership and or limited liability company.

## Notes to Financial Statement

11. Debt

The Company has no debt.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

BCBST has a non-contributory pension plan covering substantially all of its subsidiary employees, including VSHP. All disclosures of retirement plans are included in BCBST's statement.

A. Defined Benefit Plan

All disclosures of retirement plans are included in BCBST's statement.

B. Defined Contribution Plan

All disclosures of retirement plans are included in BCBST's statement.

C. Multiemployer Plans

The Company does not participate in pension programs sponsored by other holding companies.

D. Consolidated/Holding Company Plans

The Company participates in BCBST's defined benefit plans or defined contribution plans.

E. Postemployment Benefits and Compensated Absences

All disclosures of retirement plans are included in BCBST's statement.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations.

(1) The Company has 1,000 shares authorized, 1,000 shares issued and outstanding of common stock. Par or stated value is \$.01 per share.

(2) The Company has no preferred stock outstanding.

(3) In accordance with TCA §56-11-106(b) the maximum amount of dividends which can be paid by State of Tennessee insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to the greater of ten percent (10%) of net worth of the preceding December 31 or the net gain from operations for the preceding year. The Company may currently pay dividends of \$2,685,630 to BCBST based on the 2008 net worth.

(4) No dividends were paid by the Company in 2009 or 2008.

(5) Within the limitations of (3) above, there are no other restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.

(6) The Company's statutory deposit, required by the State of Tennessee, was \$25,326,692 at September 30, 2009.

(7) The Company has no advances to surplus not repaid.

(8) The Company has no stock, including stock of affiliated companies, held for special purposes.

(9) The Company has no special surplus funds.

(10) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a. unrealized gains and losses:	\$ (1,050)
b. nonadmitted asset values:	\$ 1,572,591
c. separate account business	No change
d. asset valuation	No change
e. provision for reinsurance:	No change

(11) The Company issued no surplus debentures or similar obligations.

(12) No quasi reorganizations have occurred.

(13) No quasi reorganizations have occurred in the past ten years.

14. Contingencies

A. The Company had no contingent commitments.

B. Assessments

The Company receives periodic liquidated damage assessments from the State of Tennessee, primarily related to operational performance targets.

**Notes to Financial Statement**

- C. The Company had no gain contingencies not recognized in the Company's financial statements.
- D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits
- Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.
- E. The Company has no other contingencies to be reported as required by SSAP No. 5.
15. Leases
- A. The Company has no lessee leasing arrangements.
- B. Leasing is not a part of the Company's business activities.
16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations Of Credit Risk
- (1) The Company has no financial instruments with off-balance sheet risk.
- (2) The Company does not use swaps, futures or options.
- (3) The Company has no financial instruments with off-balance sheet risk, and no counterparty exposure.
- (4) The Company has no financial instruments subject to credit risk and therefore is not required to post collateral.
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
- A. The Company has no transfers of receivables reported as sales.
- B. The Company has no transfers and servicing of financial assets and extinguishment of liabilities.
- C. The Company has no wash sales.
18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans
- A. ASO Plans

TennCare<sup>SM</sup> Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. Cash and invested assets related to TennCare<sup>SM</sup> Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCare<sup>SM</sup> Select and the Stabilization Plan are netted on p. Q2, line 15 in the category labeled "Amounts receivable relating to uninsured plans". Assets deemed to have no 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 Q3, 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. Third party liability recovery expenses	\$1,195,092
b. Case management	770,904
c. Miscellaneous	77,758
d. Liquidated damages	(58,731)
e. Unbilled expenses (timing differences)	(578,032)
Total Amounts Receivable Relating to Uninsured Plans	<u>\$1,406,991</u>

**Notes to Financial Statement**

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans were as follows during 2009:

	(1)	(2)	(3)
	ASO Uninsured <u>Plans</u>	Uninsured Portion of Partially Insured <u>Plans</u>	Total <u>ASO</u>
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ (3,379,117)	0	\$ (3,379,117)
b. Total net other income or expenses (including interest paid to or received from plans)	<u>(181)</u>	<u>0</u>	<u>(181)</u>
c. Net loss from operations	<u>\$ (3,379,298)</u>	<u>0</u>	<u>\$ (3,379,298)</u>
d. Total Claims Payment Volume	\$ 332,140,895	0	\$ 332,140,895

**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. The Company had no Medicare or other similarly structured cost based reimbursement contract.

19. The Company had no premium written/produced by managing general agents or third party administrators.

**20. Other Items**

A. No extraordinary events occurred.

B. No troubled debt restructuring occurred.

C. 1) Assets in the amount of \$23,768,539 at September 30, 2009, were on deposit with government authorities or trustees. This amount does not meet the deposit required by the State of Tennessee of \$25,326,692 due to bond calls and maturities. VSHP is in process of having new bonds approved for deposit.

2) The Company elected to use rounding in reporting amounts in the statement.

D. The Company does not anticipate any uncollectible premium balances. However, pursuant to line 13.1 of the Asset page, VSHP reports \$18,482,408 for Uncollected premiums and agents' balances in the course of collection. By letter dated May 5, 2009, from Scott Pierce, Chief Financial Officer, Bureau of TennCare, VSHP received notice that a positive capitation adjustment would occur due to the East Grand Region acuity risk adjustment of approximately \$700,000 per month. VSHP received payment for the acuity risk adjustment beginning in third quarter 2009. However, recording of this revenue for purposes of statutory financial reporting in no way reflects VSHP's agreement that the amount due from TennCare is accurate or appropriate. VSHP and the Bureau of TennCare are currently having this dispute reviewed by the appropriate administrative bodies.

E. The Company had no business interruption insurance recoveries.

F. The Company had no state transferable tax credits.

G. The Company has no hybrid securities.

H. The Company has no subprime mortgage related risk exposure.

**21. Events Subsequent**

At September 30, 2009, BCBST accrued an intercompany payable to VSHP in the amount of \$21,000,000. This amount represents a capital contribution from BCBST in order for VSHP to maintain a 200 percent risk-based capital level. Funds were transferred to VSHP, through its parent holding company SDBS, prior to the November 15, 2009 quarterly statement filing due date. Adding the \$21,000,000 transfer to the \$51,000,000 in capital contributions reported in Note 10 will result in total year to date capital funding of \$72,000,000 transferred to VSHP in 2009.

**22. Reinsurance**

A. The Company had no ceded reinsurance report.

B. The Company has not written off reinsurance balances.

C. The Company has no amounts reported in its operations as a result of commutation of reinsurance with other companies.

## Notes to Financial Statement

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

There were no net premiums written by the Company through September 30, 2009 that are subject to retrospective rating features.

24. Change in Incurred Claims and Claim Adjustment Expenses

Claims unpaid and unpaid claims adjustment expenses were \$71,019,135 as of December 31, 2008. As of September 30, 2009, \$61,235,814 has been paid for incurred claims and claims adjustments expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$1,984,860 as a result of re-estimation of unpaid claims and claims adjustment expenses. Therefore, there has been a \$7,798,461 favorable prior year development since December 31, 2008 to September 30, 2009. The change is the result of ongoing analysis of recent loss development trends. Original estimates are changed as additional information becomes known.

25. The Company has no intercompany pooling arrangements under which the pool participants cede substantially all of their direct and assumed business to a pool.

26. Structured settlements are not applicable to health entities.

27. Health Care Receivables

A. The Company has no pharmaceutical rebate receivables.

B. The Company does not have any risk sharing receivables where the receivable and payable balances with a single provider are netted.

28. Participating Policies

The Company has no participating policies where the Company pays policy holders dividends.

29. Premium Deficiency Reserve

As of September 30, 2009 the Company had liabilities of \$0 related to premium deficiency reserves. The company included a release to reserves of the premium deficiency reserve in the amount of \$42,663,267 between December 31, 2008 and June 30, 2009. The Company did consider anticipated investment income when calculating its premium deficiency reserves.

30. Anticipated Salvage and Subrogation

The Company has no anticipated salvage and subrogation.



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# 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[X] No[ ]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes[X] No[ ] N/A[ ]
  
- 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. .....12/31/2008.....
- 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 all 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[X] No[ ]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$.....12,659,794

### 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? Yes [ ] No [ ] N/A [X]  
If no, attach a description with this statement.

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, F - 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)
			<b>NONE</b>			

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

## Current Year to Date - Allocated by States and Territories

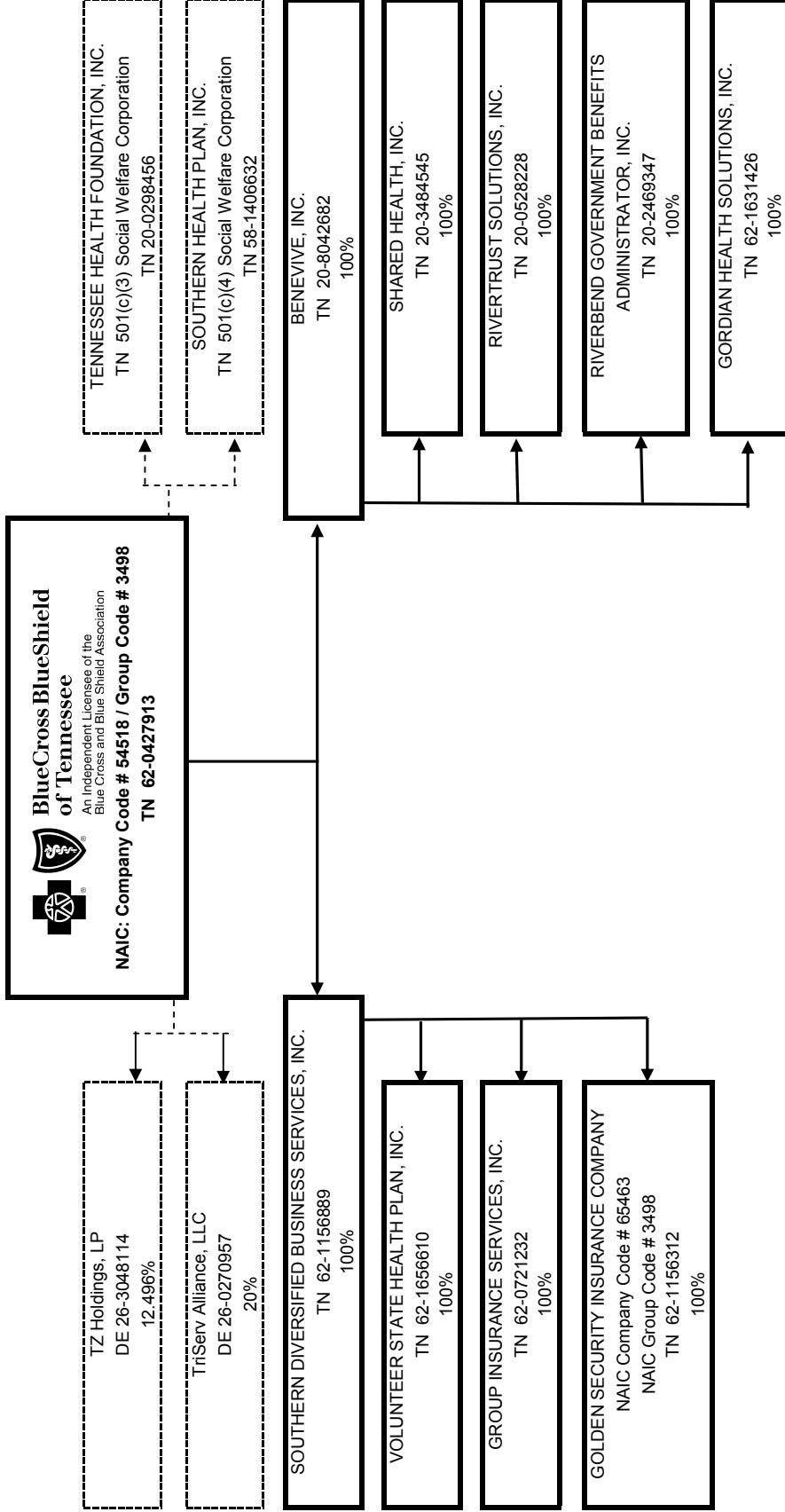
State, Etc.	1 Active Status	Direct Business Only							
		2 Accident and Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life and Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type 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			887,213,357				887,213,357	
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			887,213,357				887,213,357	
60. Reporting entity contributions for Employee Benefit Plans .....	X X X								
61. Total (Direct Business) .....	(a) 1			887,213,357				887,213,357	
<b>DETAILS OF WRITE-INS</b>									
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 L responses except for Canada and Other Alien.

# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

## MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART



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## 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.

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

**RESPONSE**

No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



00000200936500003 (NAIC code not entered)

2009

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. ....	XXX			
0605. ....	XXX			
0606. ....	XXX			
0607. ....	XXX			
0608. ....	XXX			
0609. ....	XXX			
0610. ....	XXX			
0611. ....	XXX			
0612. ....	XXX			
0613. ....	XXX			
0614. ....	XXX			
0615. ....	XXX			
0616. ....	XXX			
0617. ....	XXX			
0618. ....	XXX			
0619. ....	XXX			
0697. Summary of remaining write-ins for Line 6 (Lines 0604 through 0696) .....	XXX			

**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	2
	Year To Date	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 acquisition .....		
2.2 Additional investment made after acquisition .....		
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) .....		

**NONE****SCHEDULE B - VERIFICATION****Mortgage Loans**

	1	2
	Year To Date	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 acquisition .....		
2.2 Additional investment made after acquisition .....		
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 .....		
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. Total valuation allowance .....		
13. Subtotal (Line 11 plus Line 12) .....		
14. Deduct total nonadmitted amounts .....		
15. Statement value at end of current period (Line 13 minus Line 14) .....		

**NONE****SCHEDULE BA - VERIFICATION****Other Long-Term Invested Assets**

Description	1	2
	Year To Date	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 acquisition .....		
2.2 Additional investment made after acquisition .....		
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) .....		

**NONE****SCHEDULE D - VERIFICATION****Bonds and Stocks**

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	27,615,542	26,433,012
2. Cost of bonds and stocks acquired .....	66,670,887	8,319,000
3. Accrual of discount .....	19,048	9,128
4. Unrealized valuation increase (decrease) .....		
5. Total gain (loss) on disposals .....	(12,254)	
6. Deduct consideration for bonds and stocks disposed of .....	21,346,193	7,000,000
7. Deduct amortization of premium .....	294,530	145,598
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) .....	72,652,500	27,615,542
11. Deduct total nonadmitted amounts .....		
12. Statement value at end of current period (Line 10 minus Line 11) .....	72,652,500	27,615,542

## 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
<b>BONDS</b>								
1. Class 1 (a)	189,962,233	18,428,030	23,668,406	(99,228)	225,406,951	189,962,233	184,622,629	76,721,231
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	189,962,233	18,428,030	23,668,406	(99,228)	225,406,951	189,962,233	184,622,629	76,721,231
<b>PREFERRED STOCK</b>								
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	189,962,233	18,428,030	23,668,406	(99,228)	225,406,951	189,962,233	184,622,629	76,721,231

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
9199999. Totals .....	111,970,129	X X X	225,118,068	559,818	4,886

**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 .....	49,105,689	3,417,945
2. Cost of short-term investments acquired .....	893,152,681	134,470,278
3. Accrual of discount .....	38,423	
4. Unrealized valuation increase (decrease) .....		
5. Total gain (loss) on disposals .....		
6. Deduct consideration received on disposals .....	830,319,436	88,782,534
7. Deduct amortization of premium .....	7,228	
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) .....	111,970,129	49,105,689
11. Deduct total nonadmitted amounts .....		
12. Statement value at end of current period (Line 10 minus Line 11) .....	111,970,129	49,105,689

## 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
					<b>NONE</b>						
9999999 Totals .....											
					XXX		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						
<b>NONE</b>								
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 on Disposal	15 Foreign Exchange Gain (Loss) on Disposal	16 Realized Gain (Loss) on Disposal	17 Total Gain (Loss) on Disposal	18 Gross Income Earned Less Interest Incurred on Encumbrances	19 Taxes, Repairs and Expenses Incurred
	2 City	3 State																
<b>NONE</b>																		
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						
<b>NONE</b>								
3399999 Total Mortgages (sum of Lines 0899999, 1699999, 2499999 and 3299999)								

**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)						
<b>NONE</b>																	
0599999 Totals																	

**SCHEDULE BA - PART 2**

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

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

**SCHEDULE BA - PART 3**

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

1 CUSIP Identification	2 Name or Description	3 Location		4 City	5 Name of Purchaser or Nature of Disposal	6 Date Originally Acquired	7 Disposal Date	8 Book/Adjusted Carrying Value Less Encumbrances, Prior Year	Change in Book/Adjusted Carrying Value							19 Total Gain (Loss) on Disposal	20 Investment Income
		9 Unrealized Valuation Increase (Decrease)	10 Current Year's (Depreciation) or (Amortization)/ Accretion						11 Current Year's Other Than Temporary Impairment Recognized	12 Capitalized Deferred Interest and Other	13 Total Change in B./A.C.V. (9 + 10 - 11 + 12)	14 Total Foreign Exchange Change in B./A.C.V.	15 Book/Adjusted Carrying Value Less Encumbrances on Disposal	16 Consideration	17 Foreign Exchange Gain (Loss) on Disposal		
<b>NONE</b>																	
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)
<b>Bonds - U.S. Governments</b>									
912828LG3	U S Treasury Note		07/27/2009	Morgan Stanley & Co INC, NY	X X X	1,497,180	1,500,000.00		1
039999	Subtotal - Bonds - U.S. Governments				X X X	1,497,180	1,500,000.00		X X X
<b>Bonds - U.S. Special Revenue, Special Assessment</b>									
31331GG78	FEDERAL FARM CR BK CONS BD		08/21/2009	STIFFEL NICOLAUS	X X X	499,995	500,000.00	525	1
3133XF5T9	FEDERAL HOME LN BKS CONS BD		08/25/2009	FTN FINANCIAL SECURITIES CORP, MEMPHIS	X X X	456,004	425,000.00	9,858	1
3133XJUT3	FEDERAL HOME LN BKS CONS BD		09/29/2009	FTN FINANCIAL SECURITIES CORP, MEMPHIS	X X X	1,084,220	1,000,000.00	2,917	1
3133XLEA7	FEDERAL HOME LN BK CONS BD		08/21/2009	FTN FINANCIAL SECURITIES CORP, MEMPHIS	X X X	546,405	500,000.00	5,674	1
3133XRY46	FEDERAL HOME LN BK CONS BD		08/24/2009	FTN FINANCIAL SECURITIES CORP, MEMPHIS	X X X	523,495	500,000.00	8,646	1
3133XUKB8	FEDERAL HOME LN BK CONS BD		09/25/2009	MIZUHO SECURITIES USA INC, NEW YORK	X X X	527,546	525,000.00	942	1
31394CPN6	FNMA GTD REMIC P/T 05-10 AJ		08/20/2009	FORTIS SECURITIES LLC, NEW YORK	X X X	401,695	387,526.00	1,292	1
31396QZW2	FNMA GTD REMIC P/T 09-70 NT		09/24/2009	BARCLAYS CAP/FIXED INCOME, NEW YORK	X X X	610,236	588,180.00	1,830	1
31397CYB9	FHLMC MULTICLASS MTG 3253 A		09/30/2009	JPMORGAN SECURITIES INC, NEW YORK	X X X	710,230	672,806.00	374	1
31397FX55	FHLMC MULTICLASS MTG 3291 NA		08/26/2009	GREENWICH CAP MKTS INC, GREENWICH	X X X	411,572	397,594.00	1,822	1
31416BRE0	FNMA POOL #0995185		09/03/2009	CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	X X X	1,071,645	1,024,311.00	1,138	1
319999	Subtotal - Bonds - U.S. Special Revenue, Special Assessment				X X X	6,843,043	6,520,417.00	35,018	X X X
<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>									
06050BAA9	BANK AMER CORP MEDIUM TERM NTS		08/21/2009	MORGAN STANLEY & CO INC, NY	X X X	568,541	550,000.00	3,390	1
097014AG9	BOEING CAP CORP SR NT		07/09/2009	BNP PARIBAS SECS C/FIXED INCOME, PA	X X X	137,959	125,000.00	3,363	1
14312WAD5	CARMAX AUTO OWNER 09-1 CL A-3		09/15/2009	BAIRD, ROBERT W & CO INC, MILWAUKEE	X X X	436,931	420,000.00	336	1
17305ECU7	CITIBANK CR CARD 05-A7 A7		08/17/2009	BAIRD, ROBERT W & CO INC, MILWAUKEE	X X X	519,629	500,000.00	7,917	1
34529GAE5	FORDO 2009-D A2		09/02/2009	BANC OF AMERICA SECS LLC, CHARLOTTE	X X X	399,981	400,000.00	311	1
36967HAU1	GENERAL ELECTRIC CAPITAL CORP		08/04/2009	BNY/MIZUHO SECURITIES USA INC, PRINCETON	X X X	400,424	400,000.00	115	1
36967HAW7	GENERAL ELEC CAP CORP		08/25/2009	BARCLAYS CAPITAL INC, NEW YORK	X X X	499,999	500,000.00	67	1
36967HBB2	GENERAL ELEC CAP CORP		09/29/2009	MORGAN STANLEY & CO INC, NY	X X X	601,980	600,000.00	5,000	1
373334JM4	GEORGIA PWR CO SR NT		08/26/2009	MF GLOBAL INC/FIXED INCOME, NEW YORK	X X X	278,340	250,000.00	9,431	1
37737ZAC1	GLAXOSMITHLINE CAP INC GTD NT		09/30/2009	CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	X X X	538,220	500,000.00	5,000	1
38141EA41	GOLDMAN SACHS GROUP INC		07/15/2009	GOLDMAN SACHS & CO, NY	X X X	109,914	110,000.00	2,017	1
481247AK0	JPMORGAN CHASE & CO FDIC NT		08/18/2009	GOLDMAN SACHS & CO, NY	X X X	506,380	500,000.00	3,733	1
49328CAA3	KEYBANK NA SR NTS BOOK ENTRY		08/20/2009	CITIGROUP GBL MKTS/SALOMON, NEW YORK	X X X	623,028	600,000.00	604	1
52108HJ62	LB UBS COML MTG TR 04-C6 A-3		08/05/2009	BANC OF AMERICA SECS LLC, CHARLOTTE	X X X	164,800	165,000.00	434	1
532457BD9	ELI LILLY & CO		09/14/2009	BNP PARIBAS SECS C/FIXED INCOME, PA	X X X	418,264	400,000.00	134	1
589331AR8	MERCK & CO INC/NJ		08/20/2009	CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	X X X	43,501	43,000.00	733	1
589331AR8	MERCK & CO INC/NJ		08/31/2009	WELLS FARGO SECURITIES LLC, CHARLOTTE	X X X	209,498	207,000.00	5,330	1
592179JG1	METROPOLITAN LIFE GLOBAL 144A		09/11/2009	JPMORGAN SECURITIES INC, NEW YORK	X X X	254,304	240,000.00	1,823	1
61757UJH3	MORGAN STANLEY FDIC GTD TLGP N		08/21/2009	JPMORGAN SECURITIES INC, NEW YORK	X X X	511,045	510,000.00	7,237	1
74456QAT3	PUBLIC SVC ELEC GAS CO SEC2 ME		09/23/2009	WELLS FARGO SECURITIES LLC, CHARLOTTE	X X X	315,941	280,000.00	99,992	1
87254QAN9	TJX COS INC		07/20/2009	JPMORGAN SECURITIES INC, NEW YORK	X X X	99,992	100,000.00	1,718	1
88579EAD7	3M CO MEDIUM TERM NTS BOOK		07/20/2009	GOLDMAN SACHS & CO, NY	X X X	374,819	350,000.00	53,693	X X X
389999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)				X X X	8,013,490	7,750,000.00	88,711	X X X
839999	Subtotal - Bonds - Part 3				X X X	16,353,713	15,770,417.00	X X X	X X X
839999	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
839999	Subtotal - Bonds				X X X	16,353,713	15,770,417.00	88,711	X X X

### SCHEDULE D - PART 3

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

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
8999998	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
9799998	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
9899999	Subtotal - Preferred and Common Stocks				X X X		X X X		X X X
9999999	Total - Bonds, Preferred and Common Stocks				X X X	16,353,713	X X X	88,711	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0.

## 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	11 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)							
912828JY7	U.S. TREASURY NOTE		07/27/2009	GOLDMAN SACHS	X X X	1,501,108	1,500,000.00	1,497,252			839		839	1,498,092		3,856	3,856	13,089	01/31/2011	1
0395999	Subtotal - Bonds - U.S. Governments				X X X	1,501,108	1,500,000.00	1,497,252			839		839	1,498,092		3,856	3,856	13,089	01/31/2011	1
3128XJ89	FEDERAL HOME LN MTG CORP MTN		07/20/2009	JPMORGAN SECURITIES	X X X	150,377	150,000.00	149,652			55		55	149,707		725	1,572	1,572	02/17/2012	1
3128XK87	FEDERAL HOME LN MTG CORP		09/25/2009	CITIGROUP GBL MKTS	X X X	403,280	400,000.00	401,904						401,156		1,376	3,251	3,251	08/18/2010	1
3128XKX3	FEDERAL HOME LN MTG CORP		07/27/2009	CALLED @100	X X X	400,000	400,000.00	400,025						400,020		(25)	(25)		10/27/2010	1
31331G5S9	FEDERAL FARM CR BK CONS BD		07/14/2009	CALLED @100	X X X	400,000	400,000.00	399,781			32		32	399,814		219			04/14/2011	1
3137E6Y4	FEDERAL HOME LN MTG CORP REF		09/17/2009	CALLED @100	X X X	500,000	500,000.00	499,143			139		139	499,282		857			04/13/2012	1
3138JUB87	FEDERAL HOME LN MTG CORP		07/20/2009	GOLDMAN SACHS	X X X	111,425	110,000.00	109,654			53		53	109,706		1,772		987	03/23/2012	1
3139ACN16	FEDERAL HOME LN MTG CORP		09/01/2009	PRINCIPAL RECEIPT	X X X	22,272	22,272.00	23,022						22,910			4,906		07/25/2033	1
3139AJU61	FEDERAL HOME LN MTG CORP		09/01/2009	PRINCIPAL RECEIPT	X X X	9,635	9,635.00	10,194						10,046					01/25/2023	1
3139USM2	FEDERAL HOME LN MTG CORP		09/01/2009	PRINCIPAL RECEIPT	X X X	38,871	38,871.00	40,005						39,922			3,564		02/25/2028	1
3139FXS5	FEDERAL HOME LN MTG CORP		09/01/2009	PRINCIPAL RECEIPT	X X X	49,482	49,482.00	50,516						50,404			5,704		12/15/2025	1
31416BAM7	FEDERAL HOME LN MTG CORP		09/01/2009	PRINCIPAL RECEIPT	X X X	12,044	12,044.00	12,468						12,384			1,822		10/15/2027	1
31416BAP0	FEDERAL HOME LN MTG CORP		09/01/2009	PRINCIPAL RECEIPT	X X X	34,315	34,315.00	35,614						34,768			13,065		12/01/2021	1
36210B4N2	FEDERAL FARM CR BK CONS BD		09/01/2009	PRINCIPAL RECEIPT	X X X	42,905	42,905.00	44,693						40,138			14,180		12/01/2021	1
36210B4R3	FEDERAL FARM CR BK CONS BD		09/01/2009	PRINCIPAL RECEIPT	X X X	5,145	5,145.00	5,322						4,931			7,437		04/15/2024	1
36211V608	FEDERAL FARM CR BK CONS BD		09/01/2009	PRINCIPAL RECEIPT	X X X	4,154	4,154.00	4,337						3,911			7,234		04/15/2024	1
36295P4L3	FEDERAL FARM CR BK CONS BD		09/01/2009	PRINCIPAL RECEIPT	X X X	4,660	4,660.00	4,862						4,407			6,697		01/15/2024	1
36296E5H5	FEDERAL FARM CR BK CONS BD		09/01/2009	PRINCIPAL RECEIPT	X X X	20,538	20,538.00	21,436						21,380			7,766		05/15/2023	1
36297A3K7	FEDERAL FARM CR BK CONS BD		09/01/2009	PRINCIPAL RECEIPT	X X X	3,314	3,314.00	3,457						3,655			5,674		07/15/2023	1
36297B4P3	FEDERAL FARM CR BK CONS BD		09/01/2009	PRINCIPAL RECEIPT	X X X	2,269	2,269.00	2,368						193			4,698		01/15/2024	1
36297C4T3	FEDERAL FARM CR BK CONS BD		09/01/2009	PRINCIPAL RECEIPT	X X X	4,398	4,398.00	4,589						4,001			8,613		01/15/2024	1
78442A4A5	SLC STUDENT LN 07 2 CL A-1		08/15/2009	PRINCIPAL RECEIPT	X X X	3,417	3,417.00	3,568						3,101			6,753		01/15/2024	1
78442G4H4	SLM STUDENT LN TR 03-8 CL A-4		09/15/2009	PRINCIPAL RECEIPT	X X X	8,816	8,816.00	8,966			2,225		2,225	10,791			1,239		09/15/2018	1
31331GUJ7	FEDERAL FARM CREDIT		09/25/2009	CALLED	X X X	11,030	11,030.00	10,645			659		659	11,304			2,546		03/15/2019	1
3199999	Subtotal - Bonds - U.S. Special Revenue, Special Assessment				X X X	2,742,547	2,737,465.00	2,745,594			3,186		3,186	2,231,931		5,150	107,708		05/16/2013	1
046003DC0	ASSOCIATES CORP NORTH AMER DEB		07/15/2009	IMMATURED	X X X	2,000,000	2,000,000.00	2,000,000	2,040,391					2,000,000			171,000		07/15/2009	1
14041NDZ1	CAPITAL ONE 07 9 CL A		09/21/2009	MORGAN STANLEY & CO	X X X	401,063	400,000.00	403,506						402,991		(2,443)			08/15/2012	1
34528AAE9	FORD CR AUTO 06-B A-4		09/15/2009	PRINCIPAL RECEIPT	X X X	4,202	4,202.00	4,109			1,310		1,310	5,419			4,594		09/15/2011	1
8395999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)				X X X	2,405,265	2,404,202.00	2,407,615	2,040,391					2,408,410		(2,443)	185,989		X X X	X X X
8395999	Subtotal - Bonds - Part 4				X X X	6,648,920	6,641,667.00	6,650,461	2,040,391					6,138,433		6,963	306,786		X X X	X X X
8395999	Summary Item from Part 5 for Bonds (N/A to Quarterly)				X X X															
8395999	Subtotal - Bonds				X X X	6,648,920	6,641,667.00	6,650,461	2,040,391					6,138,433		6,963	306,786		X X X	X X X
9799998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				X X X															
9799998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				X X X															
9899999	Subtotal - Preferred and Common Stocks				X X X															
9899999	Total - Bonds, Preferred and Common Stocks				X X X	6,648,920	6,641,667.00	6,650,461	2,040,391					6,138,433		6,963	306,786		X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide the number of such issues .....0.

**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
	<b>NONE</b>												
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
	<b>NONE</b>												
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
	<b>NONE</b>													
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
	<b>NONE</b>											
9999999 Total						XXX	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	
<b>open depositories</b>									
Regions Bank .....	601 Market Street, Chattanooga, TN 37402 .....					8,161,830	4,402,549	5,360,240	X X X
Regions Bank .....	601 Market Street, Chattanooga, TN 37402 .....					3,924,790	3,952,870	4,069,990	X X X
Regions Bank .....	601 Market Street, Chattanooga, TN 37402 .....					1,467,418	1,467,371	1,468,612	X X X
Regions Bank .....	601 Market Street, Chattanooga, TN 37402 .....					118,257	104,702	621,826	X X X
Regions Bank .....	601 Market Street, Chattanooga, TN 37402 .....					(28,631,041)	(13,731,010)	(7,637,377)	X X X
0199998 Deposits in .....2 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories		X X X	X X X			13,411	14,942	14,544	X X X
0199999 Totals - Open Depositories .....		X X X	X X X			(14,945,335)	(3,788,576)	3,897,835	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			(14,945,335)	(3,788,576)	3,897,835	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			(14,945,335)	(3,788,576)	3,897,835	X X X



## SCHEDULE E - PART 2 - CASH EQUIVALENTS

1	2	3	4	5	6	7	8
Show Investments Owned End of Current Quarter							
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year
<b>NONE</b>							
<b>8699999 Total - Cash Equivalents</b> .....							



**MEDICARE PART D COVERAGE SUPPLEMENT**  
**Net of Reinsurance**  
**For the Quarter Ended September 30, 2009**

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) .....	<b>NONE</b>		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
0199999 Total Individuals.....						
0299999 Total group.....						
0399999 Premiums due and unpaid from Medicare entities.....						
Medicaid Entities:						
State of Tennessee Premium Withhold Receivable .....	4,680,715					4,680,715
Premium Accrual.....	7,573,961	4,142,501	1,975,404	109,827		13,801,693
0499997 Subtotal - Medicaid Entities.....	12,254,676	4,142,501	1,975,404	109,827	-	18,482,408
0499999 Premiums due and unpaid from Medicaid entities.....	-	-	-	-	-	-
0599999 Accident and health premiums due and unpaid (Page 2, Line 13).....	12,254,676	4,142,501	1,975,404	109,827	-	18,482,408

**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
0199998 Pharmaceutical Rebate Receivables - Not Individually Listed.....						
0199999 Subtotal - Pharmaceutical Rebate Receivables.....				213,450	213,450	-
Provider Receivables	-	-	-	213,450	213,450	-
0299998 Claim Overpayment Receivables - Not Individually Listed.....	-	-	-			-
0299999 Subtotal - Claim Overpayment Receivables.....						
Loans and Advances to Providers	350,000	350,000	350,000	816,930		1,866,930
Volunteer Behavioral Healthcare System	300,000	300,000	300,000	424,297		1,324,297
Helen Ross McNabb Center			225,000	737,256		962,256
Professional Care Services of West Tennessee						-
0399998 Loans and Advances to Providers - Not Individually Listed.....	262,240	544,412	427,559	485,435		1,719,646
0399999 Subtotal - Loans and Advances to Providers.....	912,240	1,194,412	1,302,559	2,463,918	-	5,873,129
0499998 Capitation Arrangement Receivables - Not Individually Listed.....						
0499999 Subtotal - Capitation Arrangement Receivables.....						
0599998 Risk Sharing Receivables - Not Individually Listed.....						
0599999 Subtotal - Risk Sharing Receivables.....						
0699998 Other Receivables - Not Individually Listed.....	-	-	-	-	-	-
0699999 Subtotal - Other Receivables.....	912,240	1,194,412	1,302,559	2,463,918	-	5,873,129
0799999 Gross health care receivables.....						

**EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES**

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
Capital Contribution with Administrative Expense offset	12,659,794	-	-	-	-	12,659,794	-
0199999 Total - individually listed receivables							
0299999 Receivables not individually listed							
0399999 Total gross amounts receivable	12,659,794					12,659,794	



EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount	5	
			4 Current	Non-Current
	<b>NONE</b>			
0199999 Total - Individually listed payables	.....XXX.....	-	-	-
0299999 Payables not individually listed	.....XXX.....	-	-	-
0399999 Total gross payables	.....XXX.....	-	-	-