

**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
June 30, 2010**

2010



QUARTERLY STATEMENT
AS OF June 30, 2010
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 (423)535-5600
 (City, or Town, State and Zip Code) (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 (423)535-5600
 (City, or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.vshptn.com

Statutory Statement Contact M Ann Tate (423)535-6773
 (Name) (Area Code)(Telephone Number)(Extension)
Ann_Tate@BCBST.com (423)535-8331
 (E-Mail Address) (Fax Number)

CORPORATE OFFICERS

Name	Title
Sonya Kay Nelson	President & CEO
Shelia Dian Clemons	Secretary
Katharine Anne Laurance	Assistant Secretary
Daniel Paul Timblin	Treasurer
Alaine Marie Zachary	Assistant Treasurer

ADMINISTRATIVE OFFICERS

Judy Messer Slagle, Chief Operating Officer	Steven Lee Coulter MD, Managing Director
Robert Stanley DeMerritt, Chief Financial Officer	David Matthew Moroney MD, VP & Chief Medical Officer
Amber Jeanine Cambron, Vice President, Operations	James Howard Srite, Actuary

DIRECTORS OR TRUSTEES

Vicky Brown Gregg, Chairman	Steven Lee Coulter MD
John Francis Giblin	

State of Tennessee
 County of Hamilton ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Sonya Kay Nelson	Shelia Dian Clemons	Robert Stanley DeMerritt
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President & CEO	Secretary	Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this 13th day of August, 2010

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

Yes[X] No[]

(Notary Public Signature)



My Commission Expires:
January 8, 2014

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Statement of Actuarial Opinion

ACTUARIAL OPINION

TABLE of KEY INDICATORS

This Opinion is: Unqualified Qualified Adverse Inconclusive

IDENTIFICATION SECTION

Prescribed Wording Only Prescribed Wording with Additional Wording Revised Wording

SCOPE SECTION

Prescribed Wording Only Prescribed Wording with Additional Wording Revised Wording

RELIANCE SECTION

Prescribed Wording Only Prescribed Wording with Additional Wording Revised Wording

OPINION SECTION

Prescribed Wording Only Prescribed Wording with Additional Wording Revised Wording

RELEVANT COMMENTS

Revised Wording

The Actuarial Memorandum includes "Deviation from Standard" wording regarding conformity with an Actuarial Standard of Practice

IDENTIFICATION

I, James Howard Srite, FSA, MAAA, am an employee of Blue Cross and Blue Shield of Tennessee (BCBST), holding company for Volunteer State Health Plan, and a member of the American Academy of Actuaries. I was appointed on October 15, 2009 in accordance with the requirements of the annual statement instructions. I meet the Academy qualification standards for rendering the opinion.

SCOPE

I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities and related items listed below, as shown in the quarterly statement of Volunteer State Health Plan as prepared for filing with state regulatory officials, as of June 30, 2010.

A. Claims unpaid (Page 3, Line 1);	\$143,779,878
B. Accrued medical incentive pool and bonus payments (Page 3, Line 2);	\$1,000,000
C. Unpaid claims adjustment expenses (Page 3, Line 3);	\$9,642,830
D. Aggregate health policy reserves (Page 3, Line 4) including unearned premium reserves and additional policy reserves from the Underwriting and Investment Exhibit – Part 2D;	\$0
E. Aggregate life policy reserves (Page 3, Line 5);	\$0
F. Property/casualty unearned premium reserves (Page 3, Line 6);	\$0
G. Aggregate health claim reserves (Page 3, Line 7); and	\$0
H. Any actuarial reserves or liabilities not included in the items above.	\$0

RELIANCE

In forming my opinion on loss reserves, I relied upon data prepared by Norman John Zwitter, FSA, MAAA, Valuation Actuary by Ann Tate, Financial Coordinator of Subsidiary Accounting, by Kimberly Greene, Director of Financial Reporting, and by John Timothy Morgan, Manager Information Management Finance as certified in the attached statements. I evaluated that data for reasonableness and consistency. I also reconciled that data to the Underwriting Investment Exhibit of the company's current quarterly statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary.

OPINION

In my opinion, the amounts carried in the balance sheet on account of the items identified above:

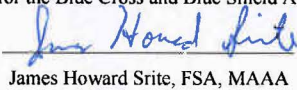
- Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- Meet the requirements of the laws of Tennessee, and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed,
- Make good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements,
- Are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- Include appropriate provision for all actuarial items that ought to be established.

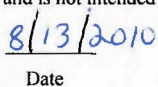
The Underwriting Investment Exhibit was reviewed for reasonableness and consistency with the applicable Actuarial Standards of Practice.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

RELEVANT COMMENTS

This opinion has been prepared solely for the Board and the management of the Company, for filing with insurance regulatory agencies of states in which the Company is licensed, and for the Blue Cross and Blue Shield Association and is not intended for any other purpose.


James Howard Srite, FSA, MAAA


Date

1 Cameron Hill Circle CH 1.3
Chattanooga, Tennessee 37402
423-535-8200

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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	153,544,811		153,544,811	93,191,585
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 (\$.....7,516,203), cash equivalents (\$.....0) and short-term investments (\$.....85,049,209)	92,565,412		92,565,412	87,392,175
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities	19,160		19,160	2,194
10. Aggregate write-ins for invested assets				
11. Subtotals, cash and invested assets (Lines 1 to 10)	246,129,383		246,129,383	180,585,954
12. Title plants less \$.....0 charged off (for Title insurers only)				
13. Investment income due and accrued	1,027,200		1,027,200	616,086
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection	19,036,664		19,036,664	34,891,109
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
14.3 Accrued retrospective premiums				
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers				
15.2 Funds held by or deposited with reinsured companies				
15.3 Other amounts receivable under reinsurance contracts				
16. Amounts receivable relating to uninsured plans	2,226,191		2,226,191	1,011,495
17.1 Current federal and foreign income tax recoverable and interest thereon				
17.2 Net deferred tax asset	4,964,980	1,546,133	3,418,847	3,438,996
18. Guaranty funds receivable or on deposit				
19. Electronic data processing equipment and software				
20. Furniture and equipment, including health care delivery assets (\$.....0)				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Receivables from parent, subsidiaries and affiliates				48,983,035
23. Health care (\$.....0) and other amounts receivable	273,204	273,204		655,890
24. Aggregate write-ins for other than invested assets	136,875	136,875		
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	273,794,497	1,956,212	271,838,285	270,182,565
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
27. Total (Lines 25 and 26)	273,794,497	1,956,212	271,838,285	270,182,565
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page				
1099. TOTALS (Lines 1001 through 1003 plus 1098) (Line 10 above)				
2401. Prepaid Expenses	136,875	136,875		
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above)	136,875	136,875		

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)	143,779,878		143,779,878	143,964,733
2. Accrued medical incentive pool and bonus amounts	1,000,000		1,000,000	
3. Unpaid claims adjustment expenses	9,642,830		9,642,830	8,923,076
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance	253,846		253,846	510,762
9. General expenses due or accrued	6,203,545		6,203,545	6,164,242
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	429,894		429,894	398,379
13. Remittances and items not allocated	1,045,541		1,045,541	1,396,558
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates	2,187,231		2,187,231	
16. Derivatives				
17. Payable for securities				
18. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
19. Reinsurance in unauthorized companies				
20. Net adjustments in assets and liabilities due to foreign exchange rates				
21. Liability for amounts held under uninsured plans	4,135,697		4,135,697	3,825,849
22. Aggregate write-ins for other liabilities (including \$.....0 current)	17,271,720		17,271,720	18,086,558
23. Total liabilities (Lines 1 to 22)	185,950,182		185,950,182	183,270,157
24. Aggregate write-ins for special surplus funds	X X X	X X X		
25. Common capital stock	X X X	X X X	10	10
26. Preferred capital stock	X X X	X X X		
27. Gross paid in and contributed surplus	X X X	X X X	167,299,990	136,299,990
28. Surplus notes	X X X	X X X		
29. Aggregate write-ins for other than special surplus funds	X X X	X X X	28,764,984	25,326,692
30. Unassigned funds (surplus)	X X X	X X X	(110,176,881)	(74,714,284)
31. Less treasury stock, at cost:				
31.1 .....0 shares common (value included in Line 25 \$.....0)	X X X	X X X		
31.2 .....0 shares preferred (value included in Line 26 \$.....0)	X X X	X X X		
32. Total capital and surplus (Lines 24 to 30 minus Line 31)	X X X	X X X	85,888,103	86,912,408
33. Total Liabilities, capital and surplus (Lines 23 and 32)	X X X	X X X	271,838,285	270,182,565
DETAILS OF WRITE-INS				
2201. Insured Premium Tax Payable	17,250,387		17,250,387	18,076,545
2202. Pending Escheatment to State	21,333		21,333	10,013
2203.				
2298. Summary of remaining write-ins for Line 22 from overflow page				
2299. TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above)	17,271,720		17,271,720	18,086,558
2401.	X X X	X X X		
2402.	X X X	X X X		
2403.	X X X	X X X		
2498. Summary of remaining write-ins for Line 24 from overflow page	X X X	X X X		
2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above)	X X X	X X X		
2901. Legally Required Reserves	X X X	X X X	28,764,984	25,326,692
2902.	X X X	X X X		
2903.	X X X	X X X		
2998. Summary of remaining write-ins for Line 29 from overflow page	X X X	X X X		
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)	X X X	X X X	28,764,984	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	2,519,221	2,658,110	5,204,333
2. Net premium income (including \$.....0 non-health premium income)	X X X	591,766,344	590,241,190	1,197,311,190
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	591,766,344	590,241,190	1,197,311,190
Hospital and Medical:				
9. Hospital/medical benefits		405,383,124	438,956,586	869,847,716
10. Other professional services		113,063,509	86,285,224	206,488,617
11. Outside referrals				
12. Emergency room and out-of-area		22,911,810	27,682,731	54,035,117
13. Prescription drugs				
14. Aggregate write-ins for other hospital and medical			2,186	285
15. Incentive pool, withhold adjustments and bonus amounts				
16. Subtotal (Lines 9 to 15)		541,358,443	552,926,727	1,130,371,735
Less:				
17. Net reinsurance recoveries				
18. Total hospital and medical (Lines 16 minus 17)		541,358,443	552,926,727	1,130,371,735
19. Non-health claims (net)				
20. Claims adjustment expenses, including \$.....14,451,767 cost containment expenses		49,548,916	45,535,989	85,775,902
21. General administrative expenses		51,825,742	23,457,934	79,244,800
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)				
23. Total underwriting deductions (Lines 18 through 22)		642,733,101	621,920,650	1,295,392,437
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(50,966,757)	(31,679,460)	(98,081,247)
25. Net investment income earned		1,617,120	1,263,032	2,430,370
26. Net realized capital gains (losses) less capital gains tax of \$.....0		141,812	(14,779)	21,901
27. Net investment gains or (losses) (Lines 25 plus 26)		1,758,932	1,248,253	2,452,271
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	(49,207,825)	(30,431,207)	(95,628,976)
31. Federal and foreign income taxes incurred	X X X	(17,242,926)	(8,615,187)	(31,213,319)
32. Net income (loss) (Lines 30 minus 31)	X X X	(31,964,899)	(21,816,020)	(64,415,657)
DETAILS OF WRITE-INS				
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			2,186	285
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)			2,186	285
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
CAPITAL & SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year	86,912,408	26,856,301	26,856,301
34. Net income or (loss) from Line 32	(31,964,899)	(21,816,020)	(64,415,657)
35. Change in valuation basis of aggregate policy and claim reserves		42,663,267	42,663,267
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	(150,833)	(9,282)	(39,268)
37. Change in net unrealized foreign exchange capital gain or (loss)			
38. Change in net deferred income tax	(36,567)	(12,818,225)	(12,111,094)
39. Change in nonadmitted assets	127,994	3,188,807	1,958,861
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	31,000,000	11,000,000	92,000,000
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)	(1,024,305)	22,208,547	60,056,107
49. Capital and surplus end of reporting period (Line 33 plus 48)	85,888,103	49,064,848	86,912,408
DETAILS OF WRITE-INS			
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)

Report #2A: TennCare Select Only			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	129,485	274,343	820,126
Estimated Revenues:			
1. TennCare Capitation	108,922,266	210,594,509	400,087,885
2. Investment	-	-	-
3. Other Revenues	-	-	-
4. Total Estimated Revenues (Lines 1 to 3)	108,922,266	210,594,509	400,087,885
Estimated Expenses:			
Hospital and Medical (w/o Mental Health)			
5. Capitated Physician Services	370,295	525,631	1,355,084
6. Fee-for Service Physician Services	12,317,758	23,759,034	57,989,033
7. Inpatient Hospital Services	25,954,221	48,265,420	98,611,434
8. Outpatient Hospital Services	9,390,790	17,923,033	38,789,154
9. Emergency Room Services	1,215,334	2,597,932	7,172,161
10. Dental Services	-	-	-
11. Vision Services	89,890	154,164	297,614
12. Pharmacy Services	-	-	-
13. Home Health Services	28,268,759	56,501,790	115,710,386
14. Chiropractic Services	-	-	-
15. Radiology Services	425,044	841,342	2,186,016
16. Laboratory Services	419,095	841,087	2,049,227
17. Durable Medical Equipment Services	5,884,171	11,148,933	22,135,564
18. Transportation Services	971,887	2,693,563	3,949,939
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	92,167	100,575	-
23. HCBS Services	-	-	-
24. Other Medical and Hospital Services - Write-Ins	1,649,771	2,789,657	10,544,297
25. Subtotal Medical and Hospital (Lines 5 to 24)	87,049,182	168,142,161	360,789,909
Mental Health and Substance Abuse Services			
26. Inpatient Psychiatric Facility Services	1,309,644	2,598,340	690,430
27. Inpatient Substance Abuse Treatment and Detox	24,721	29,104	6,848
28. Outpatient Mental Health Services	2,880,919	5,141,195	1,167,266
29. Outpatient Substance Abuse Treatment and Detox	-	-	-
30. Housing/Residential Treatment	2,539,466	6,129,628	1,501,448
31. Specialized Crisis Services	253,757	994,313	487,997
32. Psychiatric Rehab and Support Services	10,343	17,496	5,325
33. Case Management	1,217,862	2,219,699	478,925
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	37,718	64,424	35,686
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	2,397,582	3,781,440	848,085
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
44. Subtotal MH & SAS (Lines 26 to 43)	10,672,012	20,975,639	5,222,010
45. Subtotal Hospital, Medical, MH&SAS (Lines 25 and 44)	97,721,194	189,117,800	366,011,919
LESS:			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	649	1,943	15,542
48. Subrogation and Coordination of Benefits	146,980	311,377	1,538,546
49. Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)	147,629	313,320	1,554,088
50. Total Hospital, Medical, MH&SAS (Lines 45 and 49)	97,573,565	188,804,480	364,457,831
Administration:			
51. Compensation	2,767,772	5,860,295	12,185,232
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	5,991,628	11,575,208	15,363,179
55. Occupancy, Depreciation, and Amortization	218,519	462,677	962,038
56. Other Administration - Write-Ins	1,680,842	3,558,896	7,399,960
57. Total Administration Expenses (Lines 51 to 56)	10,658,761	21,457,076	35,910,409
58. Total Expenses (Lines 50 and 57)	108,232,326	210,261,556	400,368,240
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	245,465	116,670	(91,508)
61. Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)	444,475	216,283	(188,847)
Write-Ins for Other Expense			
Detail of Other Revenues			
0301.	-	-	-
0399. Total Other Revenues	-	-	-
Detail of Other Medical and Hospital:			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	1,604,631	3,101,366	7,863,005
2202. Out of Area Claims Expense	223	23,400	2,436,345
2203. Bad Debt Expense	44,917	(335,109)	244,947
2299. Total Other Medical and Hospital	1,649,771	2,789,657	10,544,297
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
Detail of Other Administration:			
5601. Outsourced Services	560,148	1,186,016	2,466,063
5602. Equipment Rental	504,145	1,067,443	2,219,519
5603. Auditing, Actuarial, and Other Consulting	245,591	519,997	1,081,223
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	199,287	421,957	877,370
5605. Postage/Telephone	124,331	263,249	547,369
5606. Printing and Stationary	47,340	100,234	208,416
5699. Total Other Administration	1,680,842	3,558,896	7,399,960

Report #2A: BlueCare West Only			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	557,794	1,114,957	2,282,053
Estimated Revenues:			
1. TennCare Capitation	124,657,190	247,888,922	501,533,700
2. Investment	416,462	742,007	1,062,767
3. Other Revenues	-	-	-
4. Total Estimated Revenues (Lines 1 to 3)	125,073,652	248,630,929	502,596,467
Estimated Expenses:			
Hospital and Medical (w/o Mental Health)			
5. Capitated Physician Services	5,227	11,776	2,980,912
6. Fee-for Service Physician Services	30,358,573	62,747,054	137,400,196
7. Inpatient Hospital Services	24,114,252	55,666,726	131,149,960
8. Outpatient Hospital Services	17,458,565	36,194,612	77,617,665
9. Emergency Room Services	6,269,371	12,825,509	31,081,011
10. Dental Services	-	941	6,785
11. Vision Services	91,983	201,066	381,079
12. Pharmacy Services	-	-	-
13. Home Health Services	5,153,434	11,544,046	22,675,648
14. Chiropractic Services	-	-	-
15. Radiology Services	1,771,269	3,841,813	9,278,515
16. Laboratory Services	2,533,351	5,139,532	10,481,809
17. Durable Medical Equipment Services	2,568,855	5,430,567	11,284,105
18. Transportation Services	3,501,982	7,768,414	13,680,460
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	-	-	-
23. HCBS Services	-	-	-
24. Other Medical and Hospital Services - Write-Ins	2,544,274	5,394,603	8,618,809
25. Subtotal Medical and Hospital (Lines 5 to 24)	96,371,136	206,766,659	456,636,954
Mental Health and Substance Abuse Services			
26. Inpatient Psychiatric Facility Services	1,806,850	3,625,260	5,420,028
27. Inpatient Substance Abuse Treatment and Detox	88,214	89,223	236,572
28. Outpatient Mental Health Services	949,997	1,958,952	2,858,460
29. Outpatient Substance Abuse Treatment and Detox	-	-	-
30. Housing/Residential Treatment	737,973	1,340,548	2,198,826
31. Specialized Crisis Services	650,960	1,581,283	1,820,609
32. Psychiatric Rehab and Support Services	37,657	146,050	82,310
33. Case Management	2,197,123	4,044,434	6,833,076
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	40,450	74,830	183,574
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	1,692,450	2,836,928	5,399,066
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
44. Subtotal MH & SAS (Lines 26 to 43)	8,201,674	15,697,508	25,032,521
45. Subtotal Hospital, Medical, MH&SAS (Lines 25 and 44)	104,572,810	222,464,167	481,669,475
LESS:			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	15,151	33,690	107,834
48. Subrogation and Coordination of Benefits	(54)	(54)	-
49. Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)	15,097	33,636	107,834
50. Total Hospital, Medical, MH&SAS, (Lines 45 and 49)	104,557,713	222,430,531	481,561,641
Administration:			
51. Compensation	8,885,312	17,900,186	28,971,809
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	6,879,745	13,633,891	19,023,374
55. Occupancy, Depreciation, and Amortization	701,505	1,413,239	2,287,357
56. Other Administration - Write-Ins	5,395,956	10,870,592	17,594,267
57. Total Administration Expenses (Lines 51 to 56)	21,862,518	43,817,908	67,876,807
58. Total Expenses (Lines 50 and 57)	126,420,231	266,248,439	549,438,448
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	(303,085)	(6,173,356)	(15,289,233)
61. Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)	(1,043,494)	(11,444,154)	(31,552,748)
Write-Ins for Other Expense			
Detail of Other Revenues			
0301.	-	-	-
0399. Total Other Revenues	-	-	-
Detail of Other Medical and Hospital:			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	2,545,381	5,396,338	8,380,663
2202. Out of Area Claims Expense	(1,107)	(1,735)	238,146
2203. (Dec)/Inc in Reserves for Life and Accident and Health Contracts	-	-	-
2204.	-	-	-
2299. Total Other Medical and Hospital	2,544,274	5,394,603	8,618,809
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
Detail of Other Administration:			
5601. Outsourced Services	1,798,223	3,622,664	5,863,355
5602. Equipment Rental	1,618,444	3,260,488	5,277,163
5603. Auditing, Actuarial, and Other Consulting	788,413	1,588,323	2,570,734
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	639,767	1,288,863	2,086,048
5605. Postage/Telephone	399,134	804,089	1,301,434
5606. Printing and Stationary	151,975	306,165	495,533
5699. Total Other Administration	5,395,956	10,870,592	17,594,267

Report #2A: BlueCare East Only			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	703,082	1,404,264	2,922,280
Estimated Revenues:			
1. TennCare Capitation	173,849,268	344,051,429	698,000,959
2. Investment	530,043	942,611	1,367,739
3. Other Revenues	-	-	-
4. Total Estimated Revenues (Lines 1 to 3)	174,379,311	344,994,040	699,368,698
Estimated Expenses:			
Hospital and Medical (w/o Mental Health)			
5. Capitated Physician Services	91,346	162,542	4,049,180
6. Fee-for Service Physician Services	54,243,431	105,765,889	239,025,020
7. Inpatient Hospital Services	36,720,007	74,205,451	145,167,823
8. Outpatient Hospital Services	22,883,252	43,397,419	91,977,535
9. Emergency Room Services	5,333,556	10,108,846	22,668,811
10. Dental Services	1,230	4,465	2,096
11. Vision Services	180,659	349,793	663,651
12. Pharmacy Services	-	-	-
13. Home Health Services	8,949,812	17,429,677	30,796,685
14. Chiropractic Services	-	-	-
15. Radiology Services	2,859,154	5,435,267	12,718,709
16. Laboratory Services	3,544,805	6,858,559	14,413,647
17. Durable Medical Equipment Services	6,194,692	11,748,219	21,606,168
18. Transportation Services	5,529,655	11,380,147	18,413,831
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	-	-	-
23. HCBS Services	-	-	-
24. Other Medical and Hospital Services - Write-Ins	2,478,385	4,808,864	9,389,880
25. Subtotal Medical and Hospital (Lines 5 to 24)	149,009,984	291,655,138	610,893,036
Mental Health and Substance Abuse Services			
26. Inpatient Psychiatric Facility Services	1,738,259	3,632,488	5,329,009
27. Inpatient Substance Abuse Treatment and Detox	235,768	415,767	520,129
28. Outpatient Mental Health Services	2,604,367	4,776,092	6,652,543
29. Outpatient Substance Abuse Treatment and Detox	-	-	-
30. Housing/Residential Treatment	1,509,613	3,316,812	6,791,007
31. Specialized Crisis Services	2,997,260	5,722,229	8,993,499
32. Psychiatric Rehab and Support Services	53,365	99,329	135,579
33. Case Management	1,500,523	2,718,805	3,505,871
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	94,835	176,885	317,939
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	3,235,511	6,615,952	8,292,228
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
44. Subtotal MH & SAS (Lines 26 to 43)	13,969,501	27,474,359	40,537,804
45. Subtotal Hospital, Medical, MH&SAS (Lines 25 and 44)	162,979,485	319,129,497	651,430,840
LESS:			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	39,491	87,382	259,649
48. Subrogation and Coordination of Benefits	-	-	-
49. Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)	39,491	87,382	259,649
50. Total Hospital, Medical, MH&SAS, (Lines 45 and 49)	162,939,994	319,042,115	651,171,191
Administration:			
51. Compensation	11,652,879	23,081,878	40,132,281
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	9,561,710	18,922,829	26,842,211
55. Occupancy, Depreciation, and Amortization	920,008	1,822,340	3,168,488
56. Other Administration - Write-Ins	7,076,667	14,017,374	24,371,903
57. Total Administration Expenses (Lines 51 to 56)	29,211,264	57,844,421	94,514,883
58. Total Expenses (Lines 50 and 57)	192,151,258	376,886,536	745,686,074
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	(6,081,007)	(11,175,457)	(15,118,002)
61. Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)	(11,690,940)	(20,717,039)	(31,199,374)
Write-Ins for Other Expense			
Detail of Other Revenues			
0301.	-	-	-
0399. Total Other Revenues	-	-	-
Detail of Other Medical and Hospital:			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	2,477,401	4,808,094	8,921,547
2202. Out of Area Claims Expense	984	770	468,333
2203. Decrease in Reserves for Life and Accident and Health Contracts	-	-	-
2204.	-	-	-
2299. Total Other Medical and Hospital	2,478,385	4,808,864	9,389,880
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
Detail of Other Administration:			
5601. Outsourced Services	2,358,325	4,671,342	8,122,026
5602. Equipment Rental	2,122,551	4,204,322	7,310,024
5603. Auditing, Actuarial, and Other Consulting	1,033,986	2,048,106	3,561,026
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	839,039	1,661,958	2,889,634
5605. Postage/Telephone	523,456	1,036,855	1,802,771
5606. Printing and Stationary	199,310	394,791	686,422
5699. Total Other Administration	7,076,667	14,017,374	24,371,903

CASH FLOW

		1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations				
1.	Premiums collected net of reinsurance	607,363,873	578,285,221	1,167,997,427
2.	Net investment income	1,813,043	1,159,283	2,597,872
3.	Miscellaneous income			
4.	Total (Lines 1 to 3)	609,176,916	579,444,504	1,170,595,299
5.	Benefit and loss related payments	540,543,298	457,459,396	1,048,627,306
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7.	Commissions, expenses paid and aggregate write-ins for deductions	101,520,449	67,044,501	161,356,039
8.	Dividends paid to policyholders			
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	(17,242,926)	(8,615,187)	(31,213,319)
10.	Total (Lines 5 through 9)	624,820,821	515,888,710	1,178,770,026
11.	Net cash from operations (Line 4 minus Line 10)	(15,643,905)	63,555,794	(8,174,727)
Cash from Investments				
12.	Proceeds from investments sold, matured or repaid:			
12.1	Bonds	35,446,430	14,697,272	27,553,189
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			2,933
12.7	Miscellaneous proceeds		149,883	
12.8	Total investment proceeds (Lines 12.1 to 12.7)	35,446,430	14,847,155	27,556,122
13.	Cost of investments acquired (long-term only):			
13.1	Bonds	96,264,881	50,317,173	93,503,665
13.2	Stocks			
13.3	Mortgage loans			
13.4	Real estate			
13.5	Other invested assets			
13.6	Miscellaneous applications	16,966		41,462
13.7	Total investments acquired (Lines 13.1 to 13.6)	96,281,847	50,317,173	93,545,127
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)	(60,835,417)	(35,470,018)	(65,989,005)
Cash from Financing and Miscellaneous Sources				
16.	Cash provided (applied):			
16.1	Surplus notes, capital notes			
16.2	Capital and paid in surplus, less treasury stock	31,000,000	11,000,000	92,000,000
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)	50,652,559	22,839,272	2,817,960
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	81,652,559	33,839,272	94,817,960
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS				
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	5,173,237	61,925,048	20,654,228
19.	Cash, cash equivalents and short-term investments:			
19.1	Beginning of year	87,392,175	66,737,947	66,737,947
19.2	End of period (Line 18 plus Line 19.1)	92,565,412	128,662,995	87,392,175

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

20.0001				
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EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	2 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
		Individual	3 Group							
Total Members at end of:										
1. Prior Year	418,045								418,045	
2. First Quarter	419,448								419,448	
3. Second Quarter	419,870								419,870	
4. Third Quarter										
5. Current Year										
6. Current Year Member Months	2,519,221								2,519,221	
Total Member Ambulatory Encounters for Period:										
7. Physician	2,521,602								2,521,602	
8. Non-Physician	219,270								219,270	
9. Total	2,740,872								2,740,872	
10. Hospital Patient Days Incurred	181,221								181,221	
11. Number of Inpatient Admissions	26,339								26,339	
12. Health Premiums Written (a)	591,766,344								591,766,344	
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned	591,766,344								591,766,344	
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	540,769,469								540,769,469	
18. Amount Incurred for Provision of Health Care Services	541,358,443								541,358,443	

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

STATEMENT AS OF **June 30, 2010** OF THE **Volunteer State Health Plan, Inc.**
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	9,762,654	281,809	20,128			10,064,591
0399999 Aggregate Accounts Not Individually Listed - Covered						
0499999 Subtotals	9,762,654	281,809	20,128			10,064,591
0599999 Unreported claims and other claim reserves						133,715,287
0699999 Total Amounts Withheld						
0799999 Total Claims Unpaid						143,779,878
0899999 Accrued Medical Incentive Pool And Bonus Amounts						1,000,000

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	119,145,479	421,397,819	11,057,590	132,722,288	130,203,069	143,964,733
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)	119,145,479	421,397,819	11,057,590	132,722,288	130,203,069	143,964,733
10. Healthcare receivables (a)	(49,758)	(176,413)			(49,758)	
11. Other non-health						
12. Medical incentive pools and bonus amounts				1,000,000		
13. Totals	119,195,237	421,574,232	11,057,590	133,722,288	130,252,827	143,964,733

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

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Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The 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 and 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 Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2010, has been adopted as a component of prescribed and 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 Tennessee. Permitted accounting practices include deviations from NAIC Statutory Accounting Principles (SAP) specifically requested by an insurer and granted by the TDCI. 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 records the uninsured claims overpayments as claims expense instead of reporting the net gain or loss on the general administrative expense line as required by NAIC SAP.

At the request of the TDCI, TennCare Division, VSHP does not report the receivables and associated payables related to premium taxes for Administrative Services Only (ASO) business.

At the request of the TDCI, TennCare Division, VSHP reports gross transactions with the affiliates listed on Schedule Y.

Pursuant to Tennessee Code Annotated (TCA) §56-32-112 (a)(5)(D) *Capital Requirements*, VSHP may admit the most current 90 days of Health Care Receivables.

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:

NET INCOME	State of Domicile	June 30, 2010	December 31, 2009
(1) Net Loss Tennessee statutory basis	TN	\$ (31,964,899)	\$ (64,415,657)
(2) Tennessee Prescribed Practices	TN	0	0
(3) Tennessee Permitted Practices	TN	0	0
(4) Net Loss, NAIC SAP	TN	\$ (31,964,899)	\$ (64,415,657)
SURPLUS			
(5) Statutory Surplus, State of Tennessee	TN	\$ 85,888,103	\$ 86,912,408
(6) Tennessee Prescribed Practices (Surplus):	TN		
Admission of Health Care Receivables < 90 Days	TN	0	(201,347)
(7) Tennessee Permitted Practices	TN	0	0
(8) Statutory Surplus, NAIC SAP	TN	\$ 85,888,103	\$ 86,711,061

5. Investments

D. Loan-Backed Securities

- (1) Loan-backed securities are stated at amortized cost net of principal pay downs using the prospective adjustment method.
- (2) Prepayment assumptions were obtained from the Company's bond portfolio managers and custodian and are consistent with current market and economic conditions. Market values were obtained from the Company's custodian who uses actual market quotes if available or matrix pricing of securities with similar terms. The Company made no changes in the method of netting principal pay downs during the first six months of 2010.
- (3) The Company had no concentration of credit risk in accordance with SSAP No. 27.
- (4) There were no loan-backed securities for which an other-than-temporary impairment was recognized for the six month period ended June 30, 2010.
- (5) There were no loan-backed securities for which an other-than-temporary impairment was recognized for the six month period ended June 30, 2010 for which the present value of cash flows expected to be collected was less than the amortized cost basis.

Notes to Financial Statement

- (6) The Company has not recorded an other-than-temporary impairment on any of the loan-backed securities in its investment portfolio as of June 30, 2010.

The aggregate amortized cost and fair value of loan-backed securities where fair value was less than amortized cost at June 30, 2010 and for which other-than-temporary impairments have not been recognized is as follows:

	At a Loss Less Than 12 Months	At a Loss Greater Than 12 Months	Total
Amortized Cost	\$ 5,314,918	\$ 0	\$ 5,314,918
Fair Value	5,287,406	0	5,287,406
Unrealized Loss	\$ (27,512)	\$ 0	\$ (27,512)

- (7) Management regularly reviews the fair value of the Company's investments. If the fair value of any investment falls below its cost basis, the decline is analyzed to determine whether it is an other-than-temporary decline in value.

10. Information Concerning Parent, Subsidiaries and Affiliates

- C. The Company paid BlueCross BlueShield of Tennessee, Inc. (BCBST or the Parent) for services performed under administrative services and tax sharing agreements \$29,327,620 and \$48,001,307 in 2010 and 2009, respectively. Payments are net of reimbursements to the Parent for Cover Tennessee, MedAdvantage and other operations.
- D. The Company reported \$2,187,231 due to BCBST as of June 30, 2010, and \$48,983,035 due from BCBST as of December 31, 2009.
- E. Other than the contingent commitment reported in Item 14, the Company had no guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party that resulted in a material contingent exposure of the Company's or any related party's assets or liabilities.

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

- (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 \$8,691,241 to BCBST based on its 2009 net worth.
- (6) The Company's statutory deposit, required by the State of Tennessee, was \$28,764,984 at June 30, 2010.

14. Contingencies

- A. Contingent commitments

In the first quarter of 2008, BCBST raised \$200,000,000 in order to help finance the construction of its new headquarters in Chattanooga. The Industrial Development Board of the City of Chattanooga issued \$200,000,000 of taxable variable rate demand revenue bonds on March 14, 2008 and made these funds available to BCBST pursuant to a lease agreement between the issuer and BCBST. The payment of principal and interest on the bonds is secured by an irrevocable, direct-pay letter of credit issued by Bank of America, NA ("BOA"). The bonds bear interest at a weekly variable rate established by the Remarketing Agent (BOA). Interest is payable monthly in arrears. The bonds are subject to optional redemption. There are no mandatory sinking fund redemptions prior to maturity. However, the bonds are subject to mandatory redemption upon certain events as described in the Official Statement. The letter of credit will expire on March 14, 2013, unless extended as provided in the Reimbursement Agreement. Effective February 1, 2010, the Company became a guarantor of the BCBST \$200,000,000 financing.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- C. The Company had no wash sales (SSAP 91).

Notes to Financial Statement

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 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 Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCare Select and the Stabilization Plan is netted on p. Q2, line 16 in the category labeled "Amounts receivable relating to uninsured plans". Premium tax receivable from the State of Tennessee is netted against premium tax payable to the State of Tennessee. Liabilities for the ASO plans are netted on page Q3, line 21 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.

Amounts receivable relating to uninsured plans reflected on page Q2, line 16, is as follows:

Uninsured Receivables	Amount
a. Select Community premium accrual	\$ 1,351,899
b. Case management	1,026,289
c. Retroactive premium accrual	48,757
d. Unbilled expenses (timing differences)	(200,754)
Total Amounts Receivable Relating to Uninsured Plans	\$ 2,226,191

The Company has an Emergency Room Diversion Grant (ERDG) contract with the State of Tennessee Department of Finance and Administration. Under this contract, the Company is fully reimbursed for costs related to the administration of the grant.

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans were as follows during 2010:

	(1)	(2)	(3)
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ (108,715)	\$ 0	\$ (108,715)
b. Total net other income or (expenses) (including interest paid to or received from plans)	(2,414)	\$ 0	(2,414)
c. Net loss from operations	<u>\$ (111,129)</u>	<u>\$ 0</u>	<u>\$ (111,129)</u>
d. Total Claims Payment Volume	\$ 175,463,385	\$ 0	\$ 175,463,385

20. Other Items

C. Other Disclosures

- Assets in the amount of \$29,181,332 for the period ended June 30, 2010, were on deposit with government authorities or trustees. This amount exceeds by \$416,348 the deposit amount required by the State of Tennessee of \$28,764,984.

Notes to Financial Statement

- 2) Expenses are shown on the Statement of Revenue and Expenses net of administrative fees from ASO contracts. There was a significant increase in claims adjustment and general administrative expense in the six months ended June 30, 2010 compared to the same period in the prior year. The increase was primarily attributable to an increase in the premium tax rate on July 1, 2009 from 2% to 5.5% and the ramp up of expenses on the at-risk contracts for the East and West Grand Regions. The following provides a comparison of expense excluding ASO administrative fees and premium tax.

Line#	Administrative Expenses:	Six Months June 30, 2010	Six Months June 30, 2009	% Change
20	Claims adjustment expense	\$49,548,916	\$45,535,989	
21	General administrative expense	51,825,742	23,457,934	
	Total Expense	101,374,658	68,993,923	
	Less: ASO administrative fees	21,790,029	13,465,641	
	Less: Premium tax	(43,364,299)	(17,164,495)	
	Expenses before ASO admin fees and excluding premium tax	<u>\$79,800,388</u>	<u>\$65,295,069</u>	22%

21. Events Subsequent

Type I – Recognized Subsequent Events:

At June 30, 2010, BCBST accrued an intercompany payable to VSHP in the amount of \$12,000,000. This amount represents capital needed for VSHP to maintain a 200 % RBC level.

Type II – Non-recognized Subsequent Events:

Subsequent events have been considered through August 10, 2010 for the statutory statement issued on August 15, 2010. The Company has no required disclosures of Type II events (SSAP 9).

24. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2009, the reserve for unpaid insured claims amounted to \$143,964,733. Through June 30, 2010, \$119,195,237 was paid for expenses attributable to insured events of prior years. The re-estimation of reserves for unpaid insured claims and claim adjustment expenses for 2009 and prior, based on the latest information known regarding individual claims, as well as the ongoing analysis of recent loss development trends resulted in a favorable prior-year development of \$13,711,906. The reserve remaining for prior year amounts to \$11,057,590 as of June 30, 2010.

Other Notes

There have been no significant changes during the first six months of 2010 in notes not presented herein.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

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

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

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

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

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

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

- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.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[] No[X]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$..... 0

INVESTMENT

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

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

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

GENERAL INTERROGATORIES (Continued)

INVESTMENT

14.2 If yes, please complete the following:

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

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes No
Yes No N/A

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

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 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

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 No

17.2 If no, list exceptions:

GENERAL INTERROGATORIES

PART 2 - HEALTH

- | | |
|--|--------------|
| 1. Operating Percentages: | |
| 1.1 A&H loss percent | 94% |
| 1.2 A&H cost containment percent | 2% |
| 1.3 A&H expense percent excluding cost containment expenses | 15% |
| 2.1 Do you act as a custodian for health savings accounts? | Yes[] No[X] |
| 2.2 If yes, please provide the amount of custodial funds held as of the reporting date. | \$..... 0 |
| 2.3 Do you act as an administrator for health savings accounts? | Yes[] No[X] |
| 2.4 If yes, please provide the balance of the funds administered as of the reporting date. | \$..... 0 |

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

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

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

1.	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
2.	Alabama (AL)	N								
3.	Alaska (AK)	N								
4.	Arizona (AZ)	N								
5.	Arkansas (AR)	N								
6.	California (CA)	N								
7.	Colorado (CO)	N								
8.	Connecticut (CT)	N								
9.	Delaware (DE)	N								
10.	District of Columbia (DC)	N								
11.	Florida (FL)	N								
12.	Georgia (GA)	N								
13.	Hawaii (HI)	N								
14.	Idaho (ID)	N								
15.	Illinois (IL)	N								
16.	Indiana (IN)	N								
17.	Iowa (IA)	N								
18.	Kansas (KS)	N								
19.	Kentucky (KY)	N								
20.	Louisiana (LA)	N								
21.	Maine (ME)	N								
22.	Maryland (MD)	N								
23.	Massachusetts (MA)	N								
24.	Michigan (MI)	N								
25.	Minnesota (MN)	N								
26.	Mississippi (MS)	N								
27.	Missouri (MO)	N								
28.	Montana (MT)	N								
29.	Nebraska (NE)	N								
30.	Nevada (NV)	N								
31.	New Hampshire (NH)	N								
32.	New Jersey (NJ)	N								
33.	New Mexico (NM)	N								
34.	New York (NY)	N								
35.	North Carolina (NC)	N								
36.	North Dakota (ND)	N								
37.	Ohio (OH)	N								
38.	Oklahoma (OK)	N								
39.	Oregon (OR)	N								
40.	Pennsylvania (PA)	N								
41.	Rhode Island (RI)	N								
42.	South Carolina (SC)	N								
43.	South Dakota (SD)	N								
44.	Tennessee (TN)	L			591,766,344				591,766,344	
45.	Texas (TX)	N								
46.	Utah (UT)	N								
47.	Vermont (VT)	N								
48.	Virginia (VA)	N								
49.	Washington (WA)	N								
50.	West Virginia (WV)	N								
51.	Wisconsin (WI)	N								
52.	Wyoming (WY)	N								
53.	American Samoa (AS)	N								
54.	Guam (GU)	N								
55.	Puerto Rico (PR)	N								
56.	U.S. Virgin Islands (VI)	N								
57.	Northern Mariana Islands (MP)	N								
58.	Canada (CN)	N								
59.	Aggregate other alien (OT)	XXX								
60.	Subtotal	XXX			591,766,344				591,766,344	
61.	Reporting entity contributions for Employee Benefit Plans	XXX								
61.	Total (Direct Business)	(a) 1			591,766,344				591,766,344	
DETAILS OF WRITE-INS										
5801.		XXX								
5802.		XXX								
5803.		XXX								
5898.	Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX								

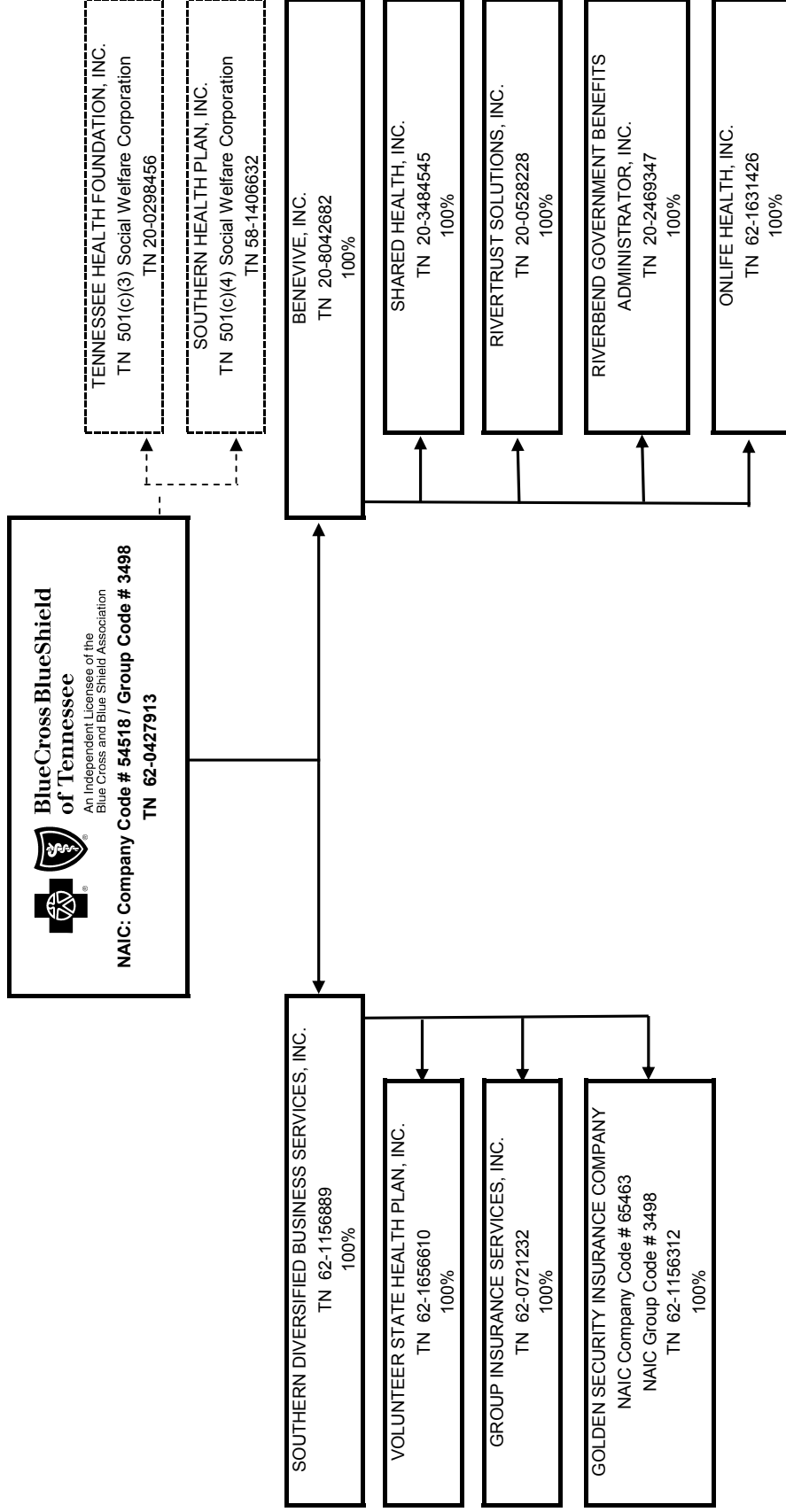
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(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



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

RESPONSE

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

No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



00000201036500002 (NAIC code not entered)

2010

Document Code: 365

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2204.				
2205.				
2297. Summary of remaining write-ins for Line 22 (Lines 2204 through 2296)				

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 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of 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 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of 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 points		
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**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of 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 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	93,191,585	27,615,542
2. Cost of bonds and stocks acquired	96,264,881	93,503,665
3. Accrual of discount	21,122	21,397
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	141,812	18,968
6. Deduct consideration for bonds and stocks disposed of	35,446,430	27,553,189
7. Deduct amortization of premium	628,159	414,798
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)	153,544,811	93,191,585
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	153,544,811	93,191,585

SCHEDULE D - PART 1B

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

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	231,599,670	88,303,416	80,929,627	(379,439)	231,599,670	238,594,020		173,745,077
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	231,599,670	88,303,416	80,929,627	(379,439)	231,599,670	238,594,020		173,745,077
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	231,599,670	88,303,416	80,929,627	(379,439)	231,599,670	238,594,020		173,745,077

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 \$.....1,508,413; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0

SCHEDULE DA - PART 1**Short - Term Investments**

	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	85,049,209	X X X	85,053,637	31,895	4,813

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	80,553,492	49,105,689
2. Cost of short-term investments acquired	287,447,128	898,538,647
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	599	2,933
6. Deduct consideration received on disposals	282,940,997	867,085,550
7. Deduct amortization of premium	11,013	8,227
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)	85,049,209	80,553,492
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	85,049,209	80,553,492

SCHEDULE DB - PART A - VERIFICATION

Options, Caps, Floors, Collars, Swaps and Forwards

1.	Book Adjusted Carrying Value, December 31, prior year (Line 8, prior year)	
2.	Cost Paid/(Consideration Received) on additions	
3.	Unrealized Valuation increase/(decrease)	
4.	Total recognized terminations	
5.	Considerations received/(paid) on terminations	
6.	Amortization	
7.	Adjustment to the Book/Adjusted Carrying Value of hedged items	
8.	Total foreign exchange change in Book/Adjusted Carrying value	
9.	Book/Adjusted Carrying Value at End of Current Period (Lines 1 + 2 + 3 + 4 - 5 + 6 + 7 + 8)	
10.	Deduct nonadmitted assets	
11.	Statement value at end of current period (Line 9 minus Line 10)	

NONE

SCHEDULE DB - PART B - VERIFICATION

Futures Contracts

1.	Book/Adjusted Carrying Value, December 31 of prior year			
2.	Net Cash Deposits (Section 1, Broker Name/Net Cash Deposits Footnote)			
3.1	Change in variation margin on open contracts			
3.2	Add:			
	Change in adjustment to basis of hedged item			
	3.21 Section 1, Column 16, current year minus			
	3.22 Section 1, Column 16, prior year			
	Change in amount recognized			
	3.23 Section 1, Column 15, current year minus			
	3.24 Section 1, Column 15, prior year			
3.3	Subtotal (Line 3.1 minus Line 3.2)			
4.1	Variation Margin on terminated contracts during the year			
4.2	Less:			
	4.21 Amount used to adjust basis of hedged item			
	4.22 Amount recognized			
4.3	Subtotal (Line 4.1 minus Line 4.2)			
5.	Dispositions gains (losses) on contracts terminated in prior year:			
	5.1 Recognized			
	5.2 Used to adjust basis of hedged items			
6.	Book Adjusted Carrying Value at end of current period (Lines 1 + 2 + 3.3 - 4.3 - 5.1 - 5.2)			
7.	Deduct total nonadmitted amounts			
8.	Statement value at end of current period (Line 6 minus Line 7)			

NONE

SCHEDULE DB - PART C - SECTION 1
Replication (Synthetic Asset) Transactions Open as of Current Statement Date

1 Replication RSAT Number	Replication (Synthetic Asset) Transactions				Components of the Replication (Synthetic Asset) Transactions											
	2 Description	3 NAIC Designation or Other Description	4 Notional Amount	5 Book/Adjusted Carrying Value	6 Fair Value	7 Effective Date	8 Maturity Date	9 Derivative Instrument(s) Open		10 Book/Adjusted Carrying Value	11 Fair Value	12 CUSIP	13 Description	14 NAIC Designation or Other Description	15 Book/Adjusted Carrying Value	16 Fair Value
						NONE										
9999999 Totals						XXX	XXX	XXX	XXX			XXX	XXX	XXX		

SCHEDULE DB - PART C - SECTION 2

Replication (Synthetic Asset) Transactions 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 Replication (Synthetic Asset) Statement Value	Number of Positions	Total Replication (Synthetic Asset) Statement Value	Number of Positions	Total Replication (Synthetic Asset) Statement Value	Number of Positions	Total Replication (Synthetic Asset) Statement Value	Number of Positions	Total Replication (Synthetic Asset) Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replication (Synthetic Asset) Transactions										
4. Less: Closed or Disposed of Transactions	X X X				X X X		X X X		X X X	
5. Less: Positions Disposed of for Failing Effectiveness Criteria										
6. Less: Decreases in Replication (Synthetic Asset) Transactions	X X X		X X X		X X X		X X X		X X X	
7. Ending Inventory										

NONE

SCHEDULE DB - VERIFICATION

Verification of Book/Adjusted Carrying Value, Fair Value and Potential Exposure of all Open Derivative Contracts

		Book/Adjusted Carrying Value Check
1. Part A, Section 1, Column 14		
2. Part B, Section 1, Net Broker Cash Deposit Write-in (Footnote)		
3. Part B, Section 1, Column 17		
4. Subtotal (Line 2 minus Line 3)		
5. Total (Line 1 plus Line 4)		
6. Part D, Column 5		
7. Part D, Column 6		
8. Total (Line 5 minus Line 6 minus Line 7)		

		Fair Value Check
<div style="border: 1px solid black; padding: 10px; display: inline-block;"> <p style="font-size: 2em; margin: 0;">NONE</p> </div>	Date	
9. Part A, Section 1, Column 16		
10. Part B, Section 1, Column 2 (Number of Contracts Price)		
11. Total (Line 9 plus Line 10)		
12. Part D, Column 8		
13. Part D, Column 9		
14. Total (Line 11 minus Line 12 minus Line 13)		

		Potential Exposure Check
15. Part A, Section 1, Column 21		
16. Part B, Section 1, Column 18		
17. Part D, Column 11		
18. Total (Line 15 plus Line 16 minus Line 17)		

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	1,999,527	
3.	Accrual of discount		
4.	Unrealized valuation increase (decrease)		
5.	Total gain (loss) on disposals	(52)	
6.	Deduct consideration received on disposals	1,999,475	
7.	Deduct amortization of premium		
8.	Total foreign exchange change in book/adjusted carrying value		
9.	Deduct current year's other than temporary impairment recognized		
10.	Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)		
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)		

SCHEDULE A - PART 2
Showing all Real Estate ACQUIRED AND ADDITIONS MADE During the Current Quarter

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

SCHEDULE A - PART 3
Showing All Real Estate DISPOSED During the 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	Change in Book/Adjusted Carrying Value Less Encumbrances				14 Book/Adjusted Carrying Value Less Encumbrances on Disposal	15 Amounts Received During Year	16 Foreign Exchange Gain (Loss) on Disposal	17 Realized Gain (Loss) on Disposal	18 Total Gain (Loss) on Disposal	19 Gross Income Earned Less Interest on Encumbrances	20 Taxes, Repairs and Expenses Incurred
	2 City	3 State						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.
NONE																		
0399999 Totals																		

SCHEDULE B - PART 2

Showing All Mortgage Loans ACQUIRED AND ADDITIONS MADE During the Current Quarter

1 Loan Number	2 Location		4 Loan Type	5 Date Acquired	6 Rate of Interest	7 Actual Cost at Time of Acquisition	8 Additional Investment Made After Acquisition	9 Value of Land and Buildings
	3 City	3 State						
NONE								
3399999 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 Value/Recorded Investment Excluding Accrued Interest Prior Year	8 Unrealized Valuation Increase (Decrease)	9 Change in Book Value/Recorded Investment				12 Total Change in Book Value (8+9-10+11)	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						10 Current Year's Other Than Temporary Impairment Recognized	11 Capitalized Deferred Interest and Other									
NONE																		
0599999 Totals																		

SCHEDULE BA - PART 2

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

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

SCHEDULE BA - PART 3

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

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

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
36241KEH7	GNMA POOL #0781936		06/03/2010	Chemical Securities	X X X	1,334,137	1,290,385.29	3,226	1FE
0399999	Subtotal - Bonds - U.S. Governments				X X X	1,334,137	1,290,385.29	3,226	X X X
Bonds - U.S. Special Revenue, Special Assessment									
3128X9H78	FEDERAL HOME LN MTG CORP		05/13/2010	Donaldson Lufkin	X X X	1,454,475	1,450,000.00	4,859	1FE
3136FJX63	FEDERAL NATL MTG ASSN		05/05/2010	Donaldson Lufkin	X X X	1,622,916	1,620,000.00	630	1FE
3136FMTY0	FEDERAL NATL MTG ASSN		06/16/2010	Non Broker Trade	X X X	3,031,875	3,000,000.00	3,000	1FE
31402RF87	FNMA POOL #0735591		04/01/2010	Morgan Stanley	X X X	1,111,410	1,074,637.48	1,791	1FE
31393JU87	FNMA GTD REMIC P/T		06/01/2010	Sifel Nicolaus	X X X	185,941	179,761.26	22	1FE
880591DT6	TENNESSEE VALLEY AUTH BD		05/07/2010	Mizuho Secs	X X X	1,338,492	1,200,000.00	37,798	1FE
3199999	Subtotal - Bonds - U.S. Special Revenue, Special Assessment				X X X	8,745,109	8,524,398.74	48,100	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)									
36967HBA4	GENERAL ELECTRIC CAPITAL CORP		04/16/2010	Goldman Sachs NY	X X X	1,254,975	1,255,000.00	283	1FE
37334JMJ4	GEORGIA PWR CO SR NT		04/09/2010	Wells Fargo Secs	X X X	1,012,437	900,000.00	24,450	1FE
674599BW4	OCCIDENTAL PETE CORP SR NT		06/22/2010	Morgan Stanley	X X X	874,538	750,000.00	7,875	1FE
002824AQ3	ABBOTT LABS NTS		05/11/2010	First Boston Corp	X X X	1,087,360	1,005,000.00	7,165	1FE
02003MBQ6	ALLSTATE LIFE GLOBAL FDG SECD		06/09/2010	Morgan Stanley	X X X	1,358,432	1,245,000.00	8,179	1FE
06052MAD7	BAAT 2010-2 A4		06/16/2010	Montgomery Secs	X X X	1,199,768	1,200,000.00		1FE
060505BM5	BANK AMER CORP NT		05/26/2010	Morgan Stanley	X X X	655,376	630,000.00	15,614	1FE
06051GEB1	BANK OF AMERICA CORP		05/14/2010	VARIOUS	X X X	452,173	450,000.00	3,701	1FE
06406HBQ1	BANK OF NEW YORK MELLON		06/11/2010	SBC Capital Mkts	X X X	474,387	475,000.00		1FE
084670AU2	BERKSHIRE HATHAWAY INC		04/27/2010	MF Global Inc/Fixed Incom	X X X	976,242	965,000.00	4,500	1FE
141781AR5	CARGILL INC NT 144A		05/12/2010	Morgan Stanley	X X X	559,036	525,000.00	10,591	1FE
20825CAT1	CONOCOPHILLIPS		06/10/2010	MF Global	X X X	541,810	500,000.00	9,583	1FE
354613AE1	FRANKLIN RESOURCES INC		05/17/2010	Morgan Stanley	X X X	778,619	780,000.00		1FE
38141EA41	GOLDMAN SACHS GROUP INC		05/28/2010	Chemical Securities	X X X	291,978	290,000.00	3,563	1FE
38143UAW1	GOLDMAN SACHS GROUP INC NT		05/27/2010	Bank of America	X X X	508,330	500,000.00	4,236	1FE
38141GEV2	GOLDMAN SACHS GROUP INC SR NT		05/28/2010	Chemical Securities	X X X	300,484	290,000.00	4,654	1FE
38144LAC4	GOLDMAN SACHS GROUP INC SR NT		05/28/2010	Chemical Securities	X X X	1,062,888	1,015,000.00	4,917	1FE
38141GCG7	GOLDMAN SACHS GROUP INC/THE		05/28/2010	Chemical Securities	X X X	609,922	580,000.00	8,449	1FE
57629WBR5	MASSMUTUAL GLOBAL FUNDIN 144A		04/14/2010	Morgan Stanley	X X X	318,962	320,000.00		1FE
64952WAW3	NEW YORK LIFE GLOBAL FDG		04/29/2010	JPMorgan Securities Inc,	X X X	922,484	925,000.00		1FE
74456QAW6	PUB SVC ELECC & GAS		05/17/2010	Alex Brown & Sons	X X X	499,110	500,000.00		1FE
771196AQ5	ROCHE HLDGS INC GTD NT 144A		06/04/2010	Goldman Sachs NY	X X X	1,100,700	1,000,000.00	13,611	1FE
78445XAA4	SLMA 2010-1 A		04/12/2010	JPMorgan Securities Inc,	X X X	500,000	500,000.00		1FE
857477AE3	STATE STREET CORP		05/04/2010	Goldman Sachs NY	X X X	658,713	620,000.00	11,627	1FE
88166BAB6	TEVA PHARMA FIN III LLC		06/15/2010	Goldman Sachs NY	X X X	949,069	950,000.00		1FE
87254QAN9	TJX COS INC		04/09/2010	Keybanc Capital Mkts	X X X	649,083	615,000.00	4,162	1FE
91159HGW4	US BANCORP		06/09/2010	Morgan Stanley	X X X	474,406	475,000.00		1FE
92343VAJ3	VERIZON COMMUNICATIONS INC		06/22/2010	Bear Stearns	X X X	234,478	220,000.00	3,456	1FE
3899999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)				X X X	20,305,780	19,480,000.00	150,616	X X X
8399997	Subtotal - Bonds - Part 3				X X X	30,385,026	29,294,784.03	201,942	X X X
8399998	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
8399999	Subtotal - Bonds				X X X	30,385,026	29,294,784.03	201,942	X X X

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)
8999998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX
9799998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX
9899999	Subtotal - Preferred and Common Stocks				XXX		XXX		XXX
9999999	Total - Bonds, Preferred and Common Stocks				XXX	30,385,026	XXX	201,942	XXX

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

SCHEDULE D - PART 4

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

1 CUSIP Identification	2 Description	3 F o r e i g n	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				15 Total Foreign Exchange Change in B./A.C.V.	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)								
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
17313YAN1	GROUP FUNDING INC		04/16/2010	Goldman Sachs NY		1,041,165	1,030,000.00	1,036,843									4,862	4,862	10,461	11/15/2012	1FE
85744RA0	CITIGROUP FUNDING INC		05/10/2010	Chemical Securities		404,560	400,000.00	399,808	398,883	(540)							4,643	4,643	4,882	03/15/2011	1
931142C2	WAL-MART STORES INC		06/11/2010	Shiel Nicolas		1,015,500	1,000,000.00	991,620	398,883	35							23,570	23,570	5,990	04/01/2015	1FE
88579EAD7	3M CO MEDIUM TERM INTS BOOK		05/17/2010	VENDOR CODE 569 NOT IN TA		378,781	350,000.00	374,819	371,672	(2,682)							9,790	9,790	7,007	12/15/2012	1
638585BH1	BANK OF AMERICA		05/15/2010	MATURITY		3,000,000	3,000,000.00	3,239,790	3,020,682	(20,682)									99,000	05/15/2010	1
17314JAL7	CITIBANK NA		06/03/2010	Dain Rauscher		250,628	250,000.00	250,000	250,000								628	628	445	07/12/2011	1FE
31394U6L1	FNMA GTD REMIC PIT 05-99 KC		05/25/2010	VARIOUS		160,023	157,350.98	161,973	161,807	(956)							(628)	(628)	2,500	02/25/2028	1FE
34528AAE9	FORD CR AUTO 06-B A-4		06/15/2010	PRINCIPAL RECEIPT		134,825	134,825.10	136,340	25,097	(1,712)							134,825	134,825	2,500	09/15/2012	1FE
34528CAE5	FORD CR AUTO 06-C 4A-A		06/15/2010	PRINCIPAL RECEIPT		38,063	38,063.47	37,904	37,904	159							38,063	38,063	829	02/15/2012	1FE
36158YBA6	GE CAP COML MTG CORP 01-1 A 2		06/15/2010	PRINCIPAL RECEIPT		16,986	16,985.81	17,564	(579)	(579)							16,986	16,986	131	05/15/2033	1FE
38143UAB7	GOLDMAN SACHS GROUP INC SR NT		05/04/2010	Goldman Sachs NY		515,270	500,000.00	534,270	150,656	(1,078)							(17,922)	(17,922)	8,011	01/15/2014	1FE
428236A07	HEWLETT-PACKARD CO GLOBAL NT		05/17/2010	VARIOUS		158,295	150,000.00	150,895	150,895	(112)							7,550	7,550	1,242	02/24/2012	1
428236A01	HEWLETT-PACKARD CO		05/03/2010	First Union Cap Mkts		127,049	125,000.00	124,971	124,971	7							2,071	2,071	938	11/21/2013	1FE
43813HAD1	HONDA AUTO REC 07-2 CL A-4		06/21/2010	PRINCIPAL RECEIPT		33,664	33,663.82	34,742	34,127	(463)									2,293	01/18/2012	1FE
43812TAC8	HONDA AUTO REC 08-1 CL A-3		06/18/2010	PRINCIPAL RECEIPT		119,837	119,836.83	122,271	121,468	(1,632)									179	11/15/2027	1FE
52108HDF8	LB US COML MTG TR 01-CZ CL A2		06/17/2010	PRINCIPAL RECEIPT		5,517	5,517.38	5,543	5,541	(24)									2,842	06/10/2011	1FE
59217EBV5	MET LIFE GLOB FUNDING 1		06/14/2010	BNY/Mizuno Secs		294,376	290,000.00	290,000	290,000												
61747YCK9	MORGAN STANLEY		05/06/2010	VENDOR CODE 569 NOT IN TA		194,694	200,000.00	199,920	199,920	5											
65475VAC4	NISSAN AUTO REC 09-1 CL A-3		04/23/2010	VARIOUS		104,172	100,000.00	99,989	99,992	1									3,990	11/20/2014	1
65476AAD7	NISSAN AUTO REC 09-A CL A-3A		05/15/2010	VARIOUS		143,150	140,000.00	139,985	139,990	2									1,847	09/15/2014	1
742718DL0	PROCTER & GAMBLE CO NT		06/28/2010	CALLED @ 09,197,000		218,394	200,000.00	214,706	198,990	(14,706)									1,755	02/15/2013	1
78445XAA4	SLMA 2010-1A		06/25/2010	PRINCIPAL RECEIPT		9,044	9,043.53	9,044	9,044										8,766	01/15/2014	1FE
90327KAC6	USAA AUTO OWNER TR 2008-3 A-3		05/24/2010	VARIOUS		171,625	169,528.68	171,725	171,945	(333)									10	03/25/2025	1FE
90327XAB0	USAA AUTO OWNER TR 2009-1		06/15/2010	PRINCIPAL RECEIPT		176,020	176,020.07	176,014	176,016	4									3,092	10/15/2012	1
98156YAB7	WORLD OMNI AUTO RECEIV 09-A A2		06/15/2010	PRINCIPAL RECEIPT		255,260	255,260.54	258,052	257,918	(2,658)									2,063	08/15/2011	1FE
3899999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)						8,926,900	8,811,094.21	9,138,666	5,993,591	(47,634)							99,452	99,452	180,135	XX X	XX X
8399997 Subtotal - Bonds - Part 4						23,136,252	22,854,181.61	23,405,271	14,041,976	(133,397)							111,923	111,923	315,177	XX X	XX X
8399998 Summary Item from Part 5 for Bonds (N/A to Quarterly)						XX X	XX X	XX X	XX X								XX X	XX X	XX X	XX X	XX X
8399999 Subtotal - Bonds						XX X	XX X	XX X	XX X								XX X	XX X	XX X	XX X	XX X
8999998 Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)						XX X	XX X	XX X	XX X								XX X	XX X	XX X	XX X	XX X
9799998 Summary Item from Part 5 for Common Stocks (N/A to Quarterly)						XX X	XX X	XX X	XX X								XX X	XX X	XX X	XX X	XX X
9899999 Subtotal - Preferred and Common Stocks						XX X	XX X	XX X	XX X								XX X	XX X	XX X	XX X	XX X
9999999 Total - Bonds, Preferred and Common Stocks						XX X	XX X	XX X	XX X								XX X	XX X	XX X	XX X	XX X
9999999 Subtotal - Bonds, Preferred and Common Stocks						XX X	XX X	XX X	XX X								XX X	XX X	XX X	XX X	XX X
9999999 Total - Bonds, Preferred and Common Stocks						XX X	XX X	XX X	XX X								XX X	XX X	XX X	XX X	XX X
(a) For all common stock bearing the NAIC market indicator "U" provide the number of such issues																					

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors, Collars, Swaps and Forwards Open as of Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Description	Description of Items Hedged or Used for Income Generation	Schedule/ Exhibit Identifier	Type(s) of Risk(s)	Exchange or Counterparty	Trade Date	Date of Maturity or Expiration	Number of Contracts	Notional Amount	Strike Price, Rate of Indexed Received (Paid)	Prior Year Initial Cost of Premium Received (Paid)	Current Year Initial Cost of Premium Received (Paid)	Current Year Income	Book/ Adjusted Carrying Value	Code	Fair Value	Unrealized Valuation Increase/ (Decrease)	Total Foreign Exchange Change in B./A.C.V.	Current Year's (Amortization) Accretion	Adjustment to Carry Value of Hedged Item	Potential Exposure	Credit Quality of Reference Entity	Hedge Effectiveness at Inception and at Quarter end (a)
1449999 GRAND TOTAL																						
														XXX							XXX	XXX

1																						
A0001																						

NONE

of the Hedge
by Period

SCHEDULE DB - PART B - SECTION 1

Futures Contracts Open as of the Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	Change in Valuation Margin			18	19
Ticker Symbol	Number of Contracts	Notional Amount	Description	Description of Hedged Item(s)	Schedule/ Exhibit Identifier	Type(s) of Risk(s)	Date of Maturity or Expiration	Exchange	Trade Date	Transaction Price	Reporting Date Price	Book/ Adjusted Carrying Value	14	15	16	Potential Exposure	Hedge Effectiveness at Inception and at Quarter-end (a)
													Cumulative	Gain (Loss) Recognized in Current Year	Gain (Loss) Used to Adjust Basis of Hedged Item			Deferred
1449999 Grand Total																	

	2
1	Net Cash Deposits
Broker Name	
NONE	
9999999	
9999999	
Total - Net Cash Deposits	

	1	
Code	2	Financial or Economic Impact of the Hedge at the End of the Reporting Period
A0001	0000	

SCHEDULE DB - PART D

Counterparty Exposure for Derivative Instruments Open as of Current Statement Date

1 Description Counterparty or Exchange Traded	2 Master Agreement (Y or N)	3 Credit Support Annex (Y or N)	4 Fair Value of Acceptable Collateral	Book/Adjusted Carrying Value		Fair Value		11 Potential Exposure	12 Off-Balance Sheet Exposure
				5 Contracts With Book/ Adjusted Carrying Value > 0	6 Contracts With Book/ Adjusted Carrying Value < 0	7 Exposure net of Collateral	8 Contracts With Fair Value > 0			9 Contracts With Fair Value < 0	10 Exposure Net of Collateral
NONE									
0899999 Total									

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1 Depository		2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
						6 First Month	7 Second Month	8 Third Month	
open depositories									
Regions Bank	601 Market Street, Chattanooga, TN 37402					12,030,825	5,451,875	6,226,317	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402					3,998,904	3,826,132	3,855,197	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402					314,948	676,861	354,265	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402					(8,109,723)	(25,080,581)	(2,926,449)	X X X
.....	.....								X X X
.....	.....								X X X
.....	.....								X X X
.....	.....								X X X
.....	.....								X X X
.....	.....								X X X
0199998 Deposits in	0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories	X X X	X X X			9,801	9,801	6,873	X X X
0199999 Totals - Open Depositories .....	.....	X X X	X X X			8,244,755	(15,115,912)	7,516,203	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			8,244,755	(15,115,912)	7,516,203	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			8,244,755	(15,115,912)	7,516,203	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8699999 Total - Cash Equivalents							



MEDICARE PART D COVERAGE SUPPLEMENT

Net of Reinsurance

For the Quarter Ended June 30, 2010

NAIC Group Code: 0000

NAIC Company Code: 00000

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

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

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EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of debtor	2 1 - 30 days	3 31 - 60 days	4 61 - 90 days	5 Over 90 days	6 Nonadmitted	7 Admitted
0199999 Total Individuals.....						
0299999 Total group.....						
0399999 Premiums due and unpaid from Medicare entities.....						
Medicaid Entities:						
State of Tennessee Premium Withhold Receivable	2,434,025					2,434,025
Premium Accrual.....	4,118,549	346,186	639,130	11,498,774		16,602,639
0499997 Subtotal - Medicaid Entities.....	6,552,574	346,186	639,130	11,498,774	-	19,036,664
0499999 Premiums due and unpaid from Medicaid entities.....	-	-	-	-	-	-
0599999 Accident and health premiums due and unpaid (Page 2, Line 13).....	6,552,574	346,186	639,130	11,498,774	-	19,036,664

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.....						
Provider Receivables	-	-	-	273,204	273,204	-
0299998 Claim Overpayment Receivables - Not Individually Listed.....	-	-	-	273,204	273,204	-
0299999 Subtotal - Claim Overpayment Receivables.....						
Loans and Advances to Providers						
0399998 Loans and Advances to Providers - Not Individually Listed.....						
0399999 Subtotal - Loans and Advances to Providers.....						
0499998 Capitation Arrangement Receivables - Not Individually Listed.....						
0499999 Subtotal - Capitation Arrangement Receivables.....						
0599998 Risk Sharing Receivables - Not Individually Listed.....						
0599999 Subtotal - Risk Sharing Receivables.....						
Other Receivables						
Provider receivables.....						
0699998 Other Receivables - Not Individually Listed.....						
0699999 Subtotal - Other Receivables.....	-	-	-	-	-	-
0799999 Gross health care receivables.....	-	-	-	273,204	273,204	-

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							
NONE							
0199999 Total - individually listed receivables							
0299999 Receivables not individually listed							
0399999 Total gross amounts receivable							

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount	5	
			4 Current	Non-Current
BlueCross BlueShield of Tennessee	Capital Contribution with Administrative Expense offset	2,187,231	2,187,231	-
0199999 Total - Individually listed payables	.....XXX.....	2,187,231	2,187,231	-
0299999 Payables not individually listed	.....XXX.....	.....	.....	.....
0399999 Total gross payables	.....XXX.....	2,187,231	2,187,231	-