



1 Cameron Hill Circle
Chattanooga, TN 37402-2555
BCBST.com



Via FedEx USA Airbill # 8770 6186 8540

November 15, 2011

Ms. Lisa Jordan
Department of Commerce and Insurance
TennCareSM Division
500 James Robertson Parkway - Suite 750
Nashville, TN 37243-1169

RE: NAIC 3rd Quarter 2011 Statement for Volunteer State Health Plan, Inc. (VSHP)

Dear Ms. Jordan:

Enclosed is the NAIC 3rd Quarter 2011 Statement for Volunteer State Health Plan, Inc. This report is a combination of all of the VSHP insured TennCare business. TennCare Select and the Stabilization Plan have been treated as ASO business throughout the report. Supplemental statements of revenues and expenses for TennCare Select, BlueCare West, and BlueCare East appear on pages 5.1, 5.2, and 5.3, respectively.

Enclosed are reconciliations of the Statement of Revenue and Expense to current contract supplemental exhibits.

Please feel free to call me (423-535-6773) if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Ann Tate'.

Ann Tate
Coordinator, Subsidiary Accounting

VSHP September 2011 YTD

	<u>TennCare Select Supplement 5.1</u>	<u>BlueCare West Supplement 5.2</u>	<u>BlueCare East Supplement 5.3</u>	<u>Other*</u>	<u>Total</u>
TennCare Revenue	\$ 273,571,436	\$ 554,421,894	\$ 720,797,757	\$ (552,443)	\$ 1,548,238,644
Investment Income		1,365,433	1,705,415	(86,803)	2,984,045
Other Revenues		67,712			67,712
Total Revenues	<u>273,571,436</u>	<u>555,855,039</u>	<u>722,503,172</u>	<u>(639,246)</u>	<u>1,551,290,401</u>
Claims Expenses	240,337,493	432,349,064	577,867,602	(473,012)	1,250,081,147
Administrative Expenses	30,050,276	84,369,530	108,230,813	452,181	223,102,800
Pre-Tax Gain/(Loss)	<u>3,183,667</u>	<u>39,136,445</u>	<u>36,404,757</u>	<u>(618,415)</u>	<u>78,106,454</u>
Federal Income Tax	728,349	8,953,509	8,328,563	(141,479)	17,868,942
Net Gain/(Loss)	<u><u>\$ 2,455,318</u></u>	<u><u>\$ 30,182,936</u></u>	<u><u>\$ 28,076,194</u></u>	<u><u>\$ (476,936)</u></u>	<u><u>\$ 60,237,512</u></u>

*Reflects activity for contracts that have ended

**QUARTERLY STATEMENT
OF THE
Volunteer State Health Plan, Inc.**

**of
Chattanooga
in the state of
Tennessee**

**TO THE
Insurance Department
OF THE STATE OF
Tennessee**

**FOR THE QUARTER ENDED
September 30, 2011**

2011



QUARTERLY STATEMENT
AS OF September 30, 2011
OF THE CONDITION AND AFFAIRS OF THE
Volunteer State Health Plan, Inc.

NAIC Group Code 3498 (Current Period) 3498 (Prior Period) NAIC Company Code 14046 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 Kimberly Reffner Greene (423)535-6081
 (Name) (Area Code)(Telephone Number)(Extension)
KimberlyR_Greene@bcbst.com (423)535-8331
 (E-Mail Address) (Fax Number)

CORPORATE OFFICERS

Name	Title
Jason David Hickey	President & CEO #
Shelia Dian Clemons	Secretary
Katharine Anne Laurance	Assistant Secretary
Daniel Paul Timblin	Treasurer
Alaine Marie Zachary	Assistant Treasurer

ADMINISTRATIVE OFFICERS

Steven Edward Kerr, Chief Financial Officer & VP of Finance # Amber Jeanine Cambron, Chief Operating Officer #
 David Matthew Moroney MD, VP & Chief Medical Officer James Howard Srite, Actuary

DIRECTORS OR TRUSTEES

Vicky Brown Gregg, Chairman William Morgan Gracey #
 John Francis Giblin

State of Tennessee
 County of Hamilton ss

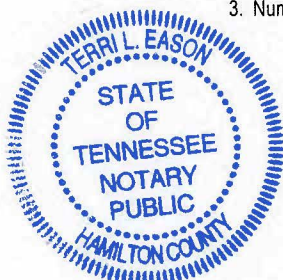
The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from 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)
Scott Christian Pierce	Shelia Dian Clemons	Reid Allen Smiley
(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 14th day of Nov, 2011

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

(Notary Public Signature)



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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	176,972,755		176,972,755	160,847,485
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 (\$.....64,087,650), cash equivalents (\$.....74,132,299) and short-term investments (\$.....42,572,497)	180,792,446		180,792,446	281,543,823
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities	4,829,550		4,829,550	27,250
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	362,594,751		362,594,751	442,418,558
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,054,443		1,054,443	1,062,666
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	18,846,162		18,846,162	21,730,921
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	446,318		446,318	2,545,614
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	3,119,918	899,010	2,220,908	8,206,480
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$.....0)				
22. Net adjustments in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$.....0) and other amounts receivable	1,001,832	1,001,832		14,553,687
25. Aggregate write-ins for other than invested assets	34,625	34,625		
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	387,098,049	1,935,467	385,162,582	490,517,926
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	387,098,049	1,935,467	385,162,582	490,517,926
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid Expenses	34,625	34,625		
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	34,625	34,625		

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)	159,467,284		159,467,284	184,368,783
2. Accrued medical incentive pool and bonus amounts	448,290		448,290	1,185,192
3. Unpaid claims adjustment expenses	8,247,025		8,247,025	10,899,048
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				121,229,464
9. General expenses due or accrued	7,054,539		7,054,539	5,448,898
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	8,131		8,131	14,198
13. Remittances and items not allocated	2,280,494		2,280,494	503,746
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates	12,920,100		12,920,100	34,521,500
16. Derivatives				
17. Payable for securities	13,810,764		13,810,764	
18. Payable for securities lending				
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
20. Reinsurance in unauthorized companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans	841,642		841,642	853,199
23. Aggregate write-ins for other liabilities (including \$.....0 current)	20,633,913		20,633,913	26,572,338
24. Total liabilities (Lines 1 to 23)	225,712,182		225,712,182	385,596,366
25. Aggregate write-ins for special surplus funds	X X X	X X X		
26. Common capital stock	X X X	X X X	10	10
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X	155,299,990	155,299,990
29. Surplus notes	X X X	X X X	17,000,000	17,000,000
30. Aggregate write-ins for other than special surplus funds	X X X	X X X	34,651,682	34,651,682
31. Unassigned funds (surplus)	X X X	X X X	(47,501,282)	(102,030,122)
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$.....0)	X X X	X X X		
32.2 .....0 shares preferred (value included in Line 27 \$.....0)	X X X	X X X		
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	159,450,400	104,921,560
34. Total Liabilities, capital and surplus (Lines 24 and 33)	X X X	X X X	385,162,582	490,517,926
DETAILS OF WRITE-INS				
2301. Insured Premium Tax Payable	20,500,397		20,500,397	26,486,362
2302. Pending Escheatment To State	81,616		81,616	41,376
2303. Liquidated Damages Accrual	51,900		51,900	44,600
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	20,633,913		20,633,913	26,572,338
2501.	X X X	X X X		
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X		
3001. Legally Required Reserves	X X X	X X X	34,651,682	34,651,682
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X	34,651,682	34,651,682

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months	X X X	3,696,119	3,775,716	5,025,561
2. Net premium income (including \$.....0 non-health premium income)	X X X	1,275,269,315	976,026,589	1,416,266,552
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	1,275,269,315	976,026,589	1,416,266,552
Hospital and Medical:				
9. Hospital/medical benefits		792,242,255	661,011,970	931,456,239
10. Other professional services		184,842,944	174,860,968	236,551,605
11. Outside referrals				
12. Emergency room and out-of-area		33,165,561	34,796,352	47,043,003
13. Prescription drugs				
14. Aggregate write-ins for other hospital and medical				
15. Incentive pool, withhold adjustments and bonus amounts				
16. Subtotal (Lines 9 to 15)		1,010,250,760	870,669,290	1,215,050,847
Less:				
17. Net reinsurance recoveries				
18. Total hospital and medical (Lines 16 minus 17)		1,010,250,760	870,669,290	1,215,050,847
19. Non-health claims (net)				
20. Claims adjustment expenses, including \$.....40,779,950 cost containment expenses		67,171,430	79,347,364	93,657,151
21. General administrative expenses		122,724,716	84,542,255	130,639,008
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)		1,200,146,906	1,034,558,909	1,439,347,006
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	75,122,409	(58,532,320)	(23,080,454)
25. Net investment income earned		2,370,043	2,198,243	2,361,224
26. Net realized capital gains (losses) less capital gains tax of \$.....0		614,002	540,389	1,437,527
27. Net investment gains or (losses) (Lines 25 plus 26)		2,984,045	2,738,632	3,798,751
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	78,106,454	(55,793,688)	(19,281,703)
31. Federal and foreign income taxes incurred	X X X	17,868,942	(18,985,722)	2,693,121
32. Net income (loss) (Lines 30 minus 31)	X X X	60,237,512	(36,807,966)	(21,974,824)
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.				
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)				
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	104,921,560	86,912,408	86,912,408
34. Net income or (loss) from Line 32	60,237,512	(36,807,966)	(21,974,824)
35. Change in valuation basis of aggregate policy and claim reserves			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	13,350	64,790	(5,151)
37. Change in net unrealized foreign exchange capital gain or (loss)			
38. Change in net deferred income tax	(11,413,676)	346,541	9,532,046
39. Change in nonadmitted assets	5,691,654	(907,730)	(5,542,915)
40. Change in unauthorized reinsurance			
41. Change in treasury stock			
42. Change in surplus notes		12,000,000	17,000,000
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		24,000,000	19,000,000
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			(4)
48. Net change in capital and surplus (Lines 34 to 47)	54,528,840	(1,304,365)	18,009,152
49. Capital and surplus end of reporting period (Line 33 plus 48)	159,450,400	85,608,043	104,921,560
DETAILS OF WRITE-INS			
4701. Rounding			(4)
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)			(4)

Report #2A: TennCare Select Only			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	135,156	401,126	536,631
Estimated Revenues:			
1. TennCare Capitation	93,166,217	273,571,436	390,627,663
2. Investment	-	-	-
3. Other Revenues	-	-	-
4. Total Estimated Revenues (Lines 1 to 3)	93,166,217	273,571,436	390,627,663
Estimated Expenses:			
Hospital and Medical (w/o Mental Health)			
5. Capitated Physician Services	273,498	806,311	1,041,103
6. Fee-for Service Physician Services	9,632,515	29,533,625	43,691,997
7. Inpatient Hospital Services	19,920,387	59,333,408	86,289,390
8. Outpatient Hospital Services	8,177,036	22,864,990	32,993,558
9. Emergency Room Services	1,138,341	3,439,196	4,942,984
10. Dental Services	69	80	347
11. Vision Services	76,979	209,656	298,167
12. Pharmacy Services	(1,194)	(1,194)	-
13. Home Health Services	25,298,050	72,217,652	105,669,729
14. Chiropractic Services	-	-	-
15. Radiology Services	308,814	919,695	1,462,501
16. Laboratory Services	406,769	1,087,560	1,540,476
17. Durable Medical Equipment Services	3,386,619	9,901,748	19,560,669
18. Transportation Services	980,365	2,768,555	4,630,421
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	65,073	387,123	358,061
23. HCBS Services	912	1,816	437
24. Other Medical and Hospital Services - Write-Ins	1,833,531	4,660,553	6,135,008
25. Subtotal Medical and Hospital (Lines 5 to 24)	71,497,764	208,130,774	308,614,848
Mental Health and Substance Abuse Services			
26. Inpatient Psychiatric Facility Services	1,300,358	3,779,426	4,557,683
27. Inpatient Substance Abuse Treatment and Detox	1,508	18,129	43,236
28. Outpatient Mental Health Services	3,134,334	10,505,562	8,551,034
29. Outpatient Substance Abuse Treatment and Detox	-	-	-
30. Housing/Residential Treatment	1,703,395	4,851,572	10,525,832
31. Specialized Crisis Services	268,427	779,908	1,762,769
32. Psychiatric Rehab and Support Services	132,915	1,271,424	867,974
33. Case Management	2,137,396	6,601,900	4,194,598
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	21,586	63,587	122,775
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	1,766,078	4,802,627	7,914,587
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
44. Subtotal MH & SAS (Lines 26 to 43)	10,465,997	32,674,135	38,540,488
45. Subtotal Hospital, Medical, MH&SAS (Lines 25 and 44)	81,963,761	240,804,909	347,155,336
LESS:			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	409	(1,086)	10,766
48. Subrogation and Coordination of Benefits	188,688	468,502	846,543
49. Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)	189,097	467,416	857,309
50. Total Hospital, Medical, MH&SAS (Lines 45 and 49)	81,774,664	240,337,493	346,298,027
Administration:			
51. Compensation	3,483,511	9,347,235	13,807,207
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	5,124,142	15,046,429	21,476,129
55. Occupancy, Depreciation, and Amortization	284,938	764,567	1,129,375
56. Other Administration - Write-Ins	1,823,158	4,892,045	7,226,256
57. Total Administration Expenses (Lines 51 to 56)	10,715,749	30,050,276	43,638,967
58. Total Expenses (Lines 50 and 57)	92,490,413	270,387,769	389,936,994
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	(137,724)	728,349	(96,467)
61. Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)	813,528	2,455,318	787,136
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.	1,734,052	4,974,718	6,364,879
2202. Out of Area Claims Expense	-	(4,692)	19,932
2203. Bad Debt Expense	99,479	(309,473)	(249,803)
2299. Total Other Medical and Hospital	1,833,531	4,660,553	6,135,008
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
Detail of Other Administration:			
5601. Equipment Rental	646,897	1,735,808	2,564,039
5602. Outsourced Services	530,771	1,424,211	2,103,767
5603. Auditing, Actuarial, and Other Consulting	251,107	673,792	995,288
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	217,481	583,559	862,000
5605. Postage/Telephone	123,314	330,885	488,764
5606. Printing and Stationary	53,588	143,790	212,398
5699. Total Other Administration	1,823,158	4,892,045	7,226,256

Report #2A: BlueCare West Only			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	545,992	1,642,342	2,224,406
Estimated Revenues:			
1. TennCare Capitation	185,760,900	554,421,894	604,258,424
2. Investment	454,038	1,365,433	1,710,005
3. Other Revenues	67,712	67,712	343,028
4. Total Estimated Revenues (Lines 1 to 3)	186,282,650	555,855,039	606,311,457
Estimated Expenses:			
Hospital and Medical (w/o Mental Health)			
5. Capitated Physician Services	3,687	14,436	21,871
6. Fee-for Service Physician Services	31,405,303	92,278,021	129,694,820
7. Inpatient Hospital Services	24,514,029	75,604,781	112,568,969
8. Outpatient Hospital Services	17,422,840	52,976,611	73,230,219
9. Emergency Room Services	6,432,747	19,728,925	26,791,996
10. Dental Services	-	3,176	(8,046)
11. Vision Services	119,796	321,025	472,102
12. Pharmacy Services	-	-	-
13. Home Health Services	5,408,891	17,082,121	24,400,185
14. Chiropractic Services	-	-	-
15. Radiology Services	1,410,562	4,863,227	6,500,919
16. Laboratory Services	2,599,055	7,559,904	9,788,827
17. Durable Medical Equipment Services	1,753,909	5,491,971	8,307,485
18. Transportation Services	3,431,073	10,527,205	15,072,213
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	30,294,051	101,117,906	57,644,081
23. HCBS Services	7,176,400	13,612,373	10,041,164
24. Other Medical and Hospital Services - Write-Ins	2,216,978	6,222,959	9,189,814
25. Subtotal Medical and Hospital (Lines 5 to 24)	134,189,321	407,404,641	483,716,619
Mental Health and Substance Abuse Services			
26. Inpatient Psychiatric Facility Services	1,788,757	3,094,585	6,743,006
27. Inpatient Substance Abuse Treatment and Detox	65,152	145,347	249,555
28. Outpatient Mental Health Services	1,268,951	2,829,679	3,990,707
29. Outpatient Substance Abuse Treatment and Detox	609	609	-
30. Housing/Residential Treatment	673,248	1,843,336	2,833,824
31. Specialized Crisis Services	775,100	2,314,034	2,935,223
32. Psychiatric Rehab and Support Services	237,259	703,511	259,942
33. Case Management	3,216,469	9,164,037	9,166,188
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	34,340	89,415	164,912
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	1,559,433	4,800,246	6,197,984
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
44. Subtotal MH & SAS (Lines 26 to 43)	9,619,318	24,984,799	32,541,341
45. Subtotal Hospital, Medical, MH&SAS (Lines 25 and 44)	143,808,639	432,389,440	516,257,960
LESS:			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	14,517	40,376	918,980
48. Subrogation and Coordination of Benefits	-	-	(54)
49. Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)	14,517	40,376	918,926
50. Total Hospital, Medical, MH&SAS, (Lines 45 and 49)	143,794,122	432,349,064	515,339,034
Administration:			
51. Compensation	10,296,419	33,562,048	39,669,938
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	10,220,573	30,496,928	33,253,080
55. Occupancy, Depreciation, and Amortization	842,208	2,745,243	3,244,843
56. Other Administration - Write-Ins	5,388,817	17,565,311	20,761,983
57. Total Administration Expenses (Lines 51 to 56)	26,748,017	84,369,530	96,929,844
58. Total Expenses (Lines 50 and 57)	170,542,139	516,718,594	612,268,878
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	873,887	8,953,509	832,087
61. Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)	14,866,624	30,182,936	(6,789,508)
Write-Ins for Other Expense			
Detail of Other Revenues			
0301. Pay-for-Performance Bonus	67,712	67,712	343,028
0399. Total Other Revenues	67,712	67,712	343,028
Detail of Other Medical and Hospital:			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	2,091,745	5,965,812	9,192,939
2202. Bad Debt Expense	125,233	257,374	-
2203. Out of Area Claims Expense	-	(227)	(3,125)
2299. Total Other Medical and Hospital	2,216,978	6,222,959	9,189,814
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
Detail of Other Administration:			
5601. Equipment Rental	1,912,075	6,232,571	7,366,822
5602. Outsourced Services	1,568,835	5,113,755	6,044,396
5603. Auditing, Actuarial, and Other Consulting	742,214	2,419,310	2,859,594
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	642,817	2,095,316	2,476,639
5605. Postage/Telephone	364,485	1,188,070	1,404,285
5606. Printing and Stationary	158,391	516,289	610,247
5699. Total Other Administration	5,388,817	17,565,311	20,761,983

Report #2A: BlueCare East Only			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	678,685	2,053,778	2,801,156
Estimated Revenues:			
1. TennCare Capitation	238,194,332	720,797,757	811,747,843
2. Investment	554,935	1,705,415	2,174,608
3. Other Revenues	-	-	-
4. Total Estimated Revenues (Lines 1 to 3)	238,749,267	722,503,172	813,922,451
Estimated Expenses:			
Hospital and Medical (w/o Mental Health)			
5. Capitated Physician Services	69,845	216,497	319,822
6. Fee-for Service Physician Services	46,862,096	145,295,383	202,026,046
7. Inpatient Hospital Services	36,489,135	101,261,565	144,074,723
8. Outpatient Hospital Services	17,718,706	55,992,880	83,352,253
9. Emergency Room Services	4,656,485	13,377,312	20,378,475
10. Dental Services	4,761	9,668	9,881
11. Vision Services	158,513	445,153	627,515
12. Pharmacy Services	-	-	-
13. Home Health Services	7,270,126	22,904,946	34,001,063
14. Chiropractic Services	-	-	-
15. Radiology Services	2,004,073	6,171,357	9,022,722
16. Laboratory Services	2,969,654	8,886,179	12,384,721
17. Durable Medical Equipment Services	3,803,018	11,774,732	20,377,557
18. Transportation Services	4,864,566	15,069,700	21,754,082
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	41,360,573	138,375,374	76,721,828
23. HCBS Services	8,281,589	15,938,797	13,558,495
24. Other Medical and Hospital Services - Write-Ins	2,484,696	7,346,167	9,373,459
25. Subtotal Medical and Hospital (Lines 5 to 24)	178,997,836	543,065,710	647,982,642
Mental Health and Substance Abuse Services			
26. Inpatient Psychiatric Facility Services	1,968,591	2,995,558	7,508,980
27. Inpatient Substance Abuse Treatment and Detox	164,526	90,296	1,141,770
28. Outpatient Mental Health Services	3,617,208	7,941,187	7,998,041
29. Outpatient Substance Abuse Treatment and Detox	-	-	-
30. Housing/Residential Treatment	996,340	2,665,657	6,540,898
31. Specialized Crisis Services	778,656	5,037,454	10,531,491
32. Psychiatric Rehab and Support Services	976,922	2,550,026	301,107
33. Case Management	3,702,521	8,814,758	5,646,137
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	53,384	121,818	340,278
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	1,948,635	4,680,679	12,245,008
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
44. Subtotal MH & SAS (Lines 26 to 43)	14,206,783	34,897,433	52,253,710
45. Subtotal Hospital, Medical, MH&SAS (Lines 25 and 44)	193,204,619	577,963,143	700,236,352
LESS:			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	32,407	95,594	842,106
48. Subrogation and Coordination of Benefits	-	(53)	101
49. Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)	32,407	95,541	842,207
50. Total Hospital, Medical, MH&SAS, (Lines 45 and 49)	193,172,212	577,867,602	699,394,145
Administration:			
51. Compensation	13,645,846	42,728,921	51,793,691
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	13,100,689	39,643,877	44,646,131
55. Occupancy, Depreciation, and Amortization	1,116,175	3,495,055	4,236,519
56. Other Administration - Write-Ins	7,141,803	22,362,960	27,107,173
57. Total Administration Expenses (Lines 51 to 56)	35,004,513	108,230,813	127,783,514
58. Total Expenses (Lines 50 and 57)	228,176,725	686,098,415	827,177,659
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	(592,412)	8,328,563	1,851,386
61. Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)	11,164,954	28,076,194	(15,106,594)
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.	2,331,633	6,967,884	9,372,968
2202. Bad Debt Expense	153,063	321,090	-
2203. Out of Area Claims Expense	-	57,193	491
2299. Total Other Medical and Hospital	2,484,696	7,346,167	9,373,459
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
Detail of Other Administration:			
5601. Equipment Rental	2,534,074	7,934,886	9,618,239
5602. Outsourced Services	2,079,179	6,510,487	7,891,660
5603. Auditing, Actuarial, and Other Consulting	983,656	3,080,100	3,733,532
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	851,926	2,667,614	3,233,539
5605. Postage/Telephone	483,052	1,512,570	1,833,456
5606. Printing and Stationary	209,916	657,303	796,747
5699. Total Other Administration	7,141,803	22,362,960	27,107,173

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	1,156,924,610	969,279,711	1,550,145,442
2. Net investment income	3,941,665	2,815,562	4,126,216
3. Miscellaneous income			
4. Total (Lines 1 to 3)	1,160,866,275	972,095,273	1,554,271,658
5. Benefit and loss related payments	1,035,889,161	817,803,066	1,173,461,605
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	188,899,389	160,459,519	226,693,522
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	17,868,942	(18,985,722)	2,693,121
10. Total (Lines 5 through 9)	1,242,657,492	959,276,863	1,402,848,248
11. Net cash from operations (Line 4 minus Line 10)	(81,791,217)	12,818,410	151,423,410
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	121,387,744	69,670,298	110,385,920
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			(88,156)
12.7 Miscellaneous proceeds	9,035,118	836,611	96,668
12.8 Total investment proceeds (Lines 12.1 to 12.7)	130,422,862	70,506,909	110,394,432
13. Cost of investments acquired (long-term only):			
13.1 Bonds	138,475,715	136,359,707	178,824,377
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications			25,056
13.7 Total investments acquired (Lines 13.1 to 13.6)	138,475,715	136,359,707	178,849,433
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)	(8,052,853)	(65,852,798)	(68,455,001)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes		12,000,000	17,000,000
16.2 Capital and paid in surplus, less treasury stock		24,000,000	19,000,000
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)	(10,907,307)	67,111,877	75,183,239
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	(10,907,307)	103,111,877	111,183,239
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)	(100,751,377)	50,077,489	194,151,648
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	281,543,823	87,392,175	87,392,175
19.2 End of period (Line 18 plus Line 19.1)	180,792,446	137,469,664	281,543,823

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

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EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	415,198								415,198	
2. First Quarter	411,759								411,759	
3. Second Quarter	410,234								410,234	
4. Third Quarter	407,842								407,842	
5. Current Year										
6. Current Year Member Months	3,696,119								3,696,119	
Total Member Ambulatory Encounters for Period:										
7. Physician	3,673,355								3,673,355	
8. Non-Physician	319,422								319,422	
9. Total	3,992,777								3,992,777	
10. Hospital Patient Days Incurred	217,437								217,437	
11. Number of Inpatient Admissions	34,372								34,372	
12. Health Premiums Written (a)	1,275,269,315								1,275,269,315	
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned	1,275,269,315								1,275,269,315	
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	1,035,889,161								1,035,889,161	
18. Amount Incurred for Provision of Health Care Services	1,010,250,760								1,010,250,760	

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

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

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
Individually Listed Claims Unpaid						
0199999 Individually Listed Claims Unpaid						
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered	21,655,657	625,112	44,651			22,325,420
0499999 Subtotals	21,655,657	625,112	44,651			22,325,420
0599999 Unreported claims and other claim reserves						137,141,864
0699999 Total Amounts Withheld						
0799999 Total Claims Unpaid						159,467,284
0899999 Accrued Medical Incentive Pool And Bonus Amounts						448,290

UNDERWRITING AND INVESTMENT EXHIBIT**ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1+3)	6 Estimated Claim Reserve and Claim Liability Dec 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	150,890,157	882,964,461	3,264,279	156,203,005	154,154,436	184,368,783
8. Other health						
9. Health subtotal (Lines 1 to 8)	150,890,157	882,964,461	3,264,279	156,203,005	154,154,436	184,368,783
10. Healthcare receivables (a)	559,044	442,788			559,044	1,300,007
11. Other non-health						
12. Medical incentive pools and bonus amounts	684,658	1,051,710		448,290	684,658	1,185,192
13. Totals (Lines 9 - 10 + 11 + 12)	151,015,771	883,573,383	3,264,279	156,651,295	154,280,050	184,253,968

(a) Excludes \$ 14,553,687 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 recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the State of Tennessee's insurance law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC AP&P) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

The TDCI, TennCare Oversight Division, allows a prescribed practice of admitting the most current 90 days of health care receivables (per Tennessee Code Annotated § 56-32-112(a)(5)(D)). This prescribed practice differs from the NAIC AP&P, which requires non-admission of health care receivables related to claim overpayments.

At the request of the TDCI, TennCare Oversight Division, the Company does not report the receivables and associated payables to the State of Tennessee for ASO premium taxes. The rationale behind the exclusion of these assets and liabilities is that they have no economic impact on the Company. The exclusion of premium taxes for ASO plans became effective in 2003.

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

NET INCOME	State of Domicile	September 30, 2011	December 31, 2010
(1) Net Income (Loss) State Statutory Basis	TN	\$ 60,237,512	\$ (21,974,824)
(2) State Prescribed Practices that increase (decrease) NAIC SAP	TN	0	0
(3) State Permitted Practices that increase (decrease) NAIC SAP	TN	0	0
(4) Net Income (Loss) NAIC Statutory Basis	TN	\$ 60,237,512	\$ (21,974,824)
SURPLUS			
(5) Surplus State Statutory Basis	TN	\$ 159,450,400	\$ 104,921,560
(6) State Prescribed Practices that increase (decrease) NAIC SAP			
Admission of Health Care Receivables < 91 Days	TN	0	(14,553,687)
(7) Tennessee Permitted Practices that increase (decrease) NAIC SAP	TN	0	0
(8) Surplus NAIC Statutory Basis	TN	\$ 159,450,400	\$ 90,367,873

2. Accounting Changes and Corrections of Errors

During the third quarter of 2011, the Company revised its method of classification for compensation and benefit related liabilities on page 3, Line 12, Amounts withheld or retained for the account of others, to Line 9, General expenses due or accrued. The prior year reported balances for compensation and benefit related liabilities in the amount of \$5,024,449 have been reclassified to conform to the current year presentation.

5. Investments

During the first nine months of 2011, the Company did not recognize any other-than-temporary impairments (OTTI) on bond or equity holdings.

D. Loan-Backed Securities

- (1) Prepayment assumptions are consistent with current market and economic conditions and are obtained from Bloomberg, bond portfolio managers and custodians. Fair values are obtained from custodians using actual market quotes, if available, or matrix pricing of securities with similar terms.
- (2) The amounts of OTTI recognized on loan-backed securities during the nine months ended September 30, 2011, by quarter, are as follows:

Notes to Financial Statement

	Amortized Cost Basis Before OTTI	OTTI Recognized in Loss	Fair Value
OTTI recognized 1 st Quarter:			
Intent to Sell	\$ 0	\$ 0	\$ 0
Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost	0	0	0
Total 1st Quarter	\$ 0	\$ 0	\$ 0
OTTI recognized 2 nd Quarter:			
Intent to Sell	\$ 0	\$ 0	\$ 0
Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost	0	0	0
Total 2nd Quarter	\$ 0	\$ 0	\$ 0
OTTI recognized 3 rd Quarter:			
Intent to Sell	\$ 0	\$ 0	\$ 0
Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost	0	0	0
Total 3rd Quarter	\$ 0	\$ 0	\$ 0
Total	\$ 0	\$ 0	\$ 0

- (3) The Company recognizes in income the difference between the amortized cost and fair value of loan-backed securities deemed to be subject to other-than-temporary declines in value due to management's intent to sell. The Company has not recognized OTTI solely because the present value of expected cash flows is less than amortized cost.

CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value at time of OTTI	Date of Financial Statement Where Reported
None	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	None

- (4) The aggregate amortized cost and fair value of loan-backed securities where fair value was less than amortized cost at September 30, 2011 and for which OTTI has not been recognized is as follows:

	At a Loss Less Than 12 Months	At a Loss 12 Months Or Longer	Total
Amortized Cost	\$ 8,564,972	\$ 0	\$ 8,564,972
Fair Value	8,511,459	0	8,511,459
Unrealized Loss	\$ 53,513	\$ 0	\$ 53,513

- (5) The Company uses a variety of methods and procedures, both quantitative and qualitative, to review and analyze the Company's investment portfolio to identify, on a quarterly basis, securities that management believes to be other-than-temporarily impaired.

Notes to Financial Statement

9. Income Taxes

A. The components of the net DTA recognized in the Company's balance sheet as of September 30, 2011 are:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Total gross DTA, admitted and nonadmitted	\$ 3,088,871	\$ 31,047	\$ 3,119,918
Statutory valuation allowance	0	0	0
Adjusted gross DTA, admitted and nonadmitted	\$ 3,088,871	\$ 31,047	\$ 3,119,918
Total DTL	0	0	0
Net DTA before admissibility test	<u>\$ 3,088,871</u>	<u>\$ 31,047</u>	<u>\$ 3,119,918</u>

The amount of admitted adjusted gross DTA under each component of SSAP No. 10R as of September 30, 2011 is:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Admitted pursuant to paragraph 10(a)	\$ 2,220,908	\$ 0	\$ 2,220,908
Admitted pursuant to paragraph 10(b)	0	0	0
Admitted pursuant to paragraph 10(c)	0	0	0
Total admitted DTA	<u>\$ 2,220,908</u>	<u>\$ 0</u>	<u>\$ 2,220,908</u>
Total DTL	0	0	0
Net admitted DTA	<u>\$ 2,220,908</u>	<u>\$ 0</u>	<u>\$ 2,220,908</u>
Nonadmitted DTA	<u>\$ 867,963</u>	<u>\$ 31,047</u>	<u>\$ 899,010</u>

The components of the net DTA recognized in the Company's balance sheet as of December 31, 2010 are:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Total gross DTA, admitted and nonadmitted	\$ 14,502,547	\$ 31,047	\$ 14,533,594
Statutory valuation allowance	0	0	0
Adjusted gross DTA, admitted and nonadmitted	14,502,547	31,047	14,533,594
Total DTL	0	0	0
Net DTA before admissibility test	<u>\$ 14,502,547</u>	<u>\$ 31,047</u>	<u>\$ 14,533,594</u>

The amount of admitted adjusted gross DTA under each component of SSAP No. 10R as of December 31, 2010 is:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Admitted pursuant to paragraph 10(a)	\$ 0	\$ 0	\$ 0
Admitted pursuant to paragraph 10(b)	8,206,480	0	8,206,480
Admitted pursuant to paragraph 10(c)	0	0	0
Total admitted DTA	<u>8,206,480</u>	<u>0</u>	<u>8,206,480</u>
Total DTL	0	0	0
Net admitted DTA	<u>\$ 8,206,480</u>	<u>\$ 0</u>	<u>\$ 8,206,480</u>
Nonadmitted DTA	<u>\$ 6,296,067</u>	<u>\$ 31,047</u>	<u>\$ 6,327,114</u>

The changes during 2011 in the components of the net DTA recognized in the Company's balance sheet are:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Total gross DTA, admitted and nonadmitted	\$ (11,413,676)	\$ 0	\$ (11,413,676)
Statutory valuation allowance	0	0	0
Adjusted gross DTA, admitted and nonadmitted	\$ (11,413,676)	\$ 0	\$ (11,413,676)
Total DTL	0	0	0
Net DTA before admissibility test	<u>\$ (11,413,676)</u>	<u>\$ 0</u>	<u>\$ (11,413,676)</u>

The changes during 2011 in the amount of admitted adjusted gross DTA under each component of SSAP No. 10R are:

Notes to Financial Statement

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Admitted pursuant to paragraph 10(a)	\$ 2,220,908	0	\$ 2,220,908
Admitted pursuant to paragraph 10(b)	(8,206,480)	0	(8,206,480)
Admitted pursuant to paragraph 10(c)	0	0	0
Total admitted DTA	<u>(5,985,572)</u>	<u>0</u>	<u>(5,985,572)</u>
Total DTL	0	0	0
Net admitted DTA	<u>\$ (5,985,572)</u>	<u>\$ 0</u>	<u>\$ (5,985,572)</u>
Nonadmitted DTA	<u>\$ (5,428,104)</u>	<u>\$ 0</u>	<u>\$ (5,428,104)</u>

The Company did not qualify to elect to admit the increased amount of DTA under SSAP No. 10R in 2011 or 2010.

- C. The provisions for incurred income taxes on earnings for the periods ended September 30, 2011 and December 31, 2010 are:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Federal	\$ 17,868,942	\$ 2,693,121
Foreign	0	0
	<u>17,868,942</u>	<u>2,693,121</u>
Federal income tax on capital gains	0	0
Utilization of capital loss carryforwards	0	0
Federal and foreign income taxes incurred	<u>\$ 17,868,942</u>	<u>\$ 2,693,121</u>

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

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>Change</u>
Adjusted gross DTAs, admitted and nonadmitted	\$ 3,119,918	\$ 14,533,594	\$ (11,413,676)
Total DTLs	0	0	0
Adjusted gross DTAs, less DTLs	<u>\$ 3,119,918</u>	<u>\$ 14,533,594</u>	<u>\$ (11,413,676)</u>
Tax effect of nonadmitted assets			2,812,189
Change in net deferred income tax			<u>\$ (8,601,487)</u>

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

	<u>September 30, 2011</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$ 27,337,259	35.0%
2010 Federal tax true-up adjustment	(866,830)	(1.1%)
Change in net deferred income taxes	(8,601,487)	(11.0%)
Federal and foreign income taxes incurred	<u>\$ 17,868,942</u>	<u>22.9%</u>

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. The Company is a wholly owned subsidiary of Southern Diversified Business Services, Inc. (SDBS), which is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. (BCBST or the Parent).

The members of BCBST's holding company group have not changed since December 31, 2010 (see Schedule Y on page Q15).

BCBST transferred \$450,000 during the first nine months of 2011 and \$79,000,000 in 2010 to SDBS as additional capital contributions. The capital contributions for 2010 were passed through SDBS to VSHP.

- C. The Company has administrative service contracts under which BCBST provides certain administrative services to the Company and the Company provides certain services to BCBST. The Company reimburses BCBST for both direct and allocated expenses paid by BCBST on behalf of the Company and BCBST reimburses the Company for both direct and allocated expenses incurred by the Company on behalf of BCBST. Net amounts transferred between BCBST and the Company for the nine months ended September 30, 2011 and 2010, were \$93,190,351 and \$51,819,425, respectively.

Notes to Financial Statement**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

- C. The Company has no wash sales involving transactions for securities with an NAIC designation of 3 or below, or unrated (SSAP No. 91).

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 and the Stabilization Plan are Administrative Services Only (ASO) arrangements with the State of Tennessee, effective July 1, 2001 and July 1, 2002, respectively. Cash and invested assets related to TennCare Select and the Stabilization Plan are reported in the appropriate categories on the Assets statement. Premium tax receivable from the State of Tennessee is netted against premium tax payable to the State of Tennessee for premium taxes related to ASO plans. Other assets and liabilities related to TennCare Select and the Stabilization Plan are netted and reported either on page 2, line 17 in the category labeled Amounts receivable relating to uninsured plans or on page 3, line 22 in the category labeled Liability for amounts held under uninsured plans.

The Company had 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 contract ended on April 15, 2011.

The gain from operations from ASO plans and the uninsured portion of partially insured plans are as follows during 2011:

	(1)	(2)	(3)
	ASO Uninsured Plans	Uninsured Portion of Partially - Insured Plans	Total ASO Plans
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 2,699,330	0	\$ 2,699,330
b. Total net other income or (expenses) (including interest paid to or received from plans)	(1,950)	0	(1,950)
c. Net gain from operations	\$ 2,697,380	0	\$ 2,697,380
d. Total claims payment volume	\$ 245,008,859	0	\$ 245,008,859

20. Fair Value Measurement

The Company holds only investment grade bonds in its investment portfolio, which are reported at amortized cost. Due to this, and in accordance with the provisions of Statement of Statutory Accounting Principles (SSAP) No. 100, *Fair Value Measurements*, the Company is not required to categorize these assets within the fair value hierarchy. At September 30, 2011, the Company held investment grade commercial mortgage-backed securities and investment grade asset-backed securities with a fair value of \$6,688,020 and \$13,571,709, respectively. At September 30, 2011, the average credit rating of the Company's entire fixed income portfolio was AA. The Company held no equity securities, mutual fund investments, mortgage loans, non-agency residential mortgage-backed securities, Alt-A securities or auction rate securities at September 30, 2011.

Fair values of bonds are provided by independent pricing services, including the Company's custodians. The Company has obtained an understanding of the methods, models and inputs used, and has controls in place to validate that amounts provided represent current exit prices. For securities not actively traded, the third party pricing services may use quoted market prices of comparable instruments or models, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. Management periodically reviews the securities in the portfolio with the Company's investment managers and Company's investment consultant. If unusual fluctuations in pricing or material variances in pricing from different sources are noted, management may obtain additional information from other pricing services, or request an investigation into the evaluation of the security by the pricing service to validate the quoted price.

Notes to Financial Statement**21. Other Items****C. Other Disclosures**

- 1) As of September 30, 2011, assets in the amount of \$35,094,525 were on deposit with government authorities or trustees. This amount exceeds the deposit amount required by the State of Tennessee of \$34,651,682.
- 2) Expenses are shown on the Statement of Revenue and Expenses net of administrative fees from ASO contracts. The increase in claims adjustment and general administrative expense for the nine months ended September 30, 2011 compared to the same period in the prior year is primarily attributable to the addition of the Select Community and Choices programs, which began June 1, 2010 and August 8, 2010, respectively, partially offset by reductions in claims adjustment and general administrative expenses on non-Choices programs.

The following provides a comparison of expense excluding ASO administrative fees and premium tax:

<u>Line#</u>	<u>Administrative Expenses:</u>	<u>Nine Months Ended September 30, 2011</u>	<u>Nine Months Ended September 30, 2010</u>	<u>% Change</u>
20	Claims adjustment expense	\$ 67,171,430	\$ 79,347,364	
21	General administrative expense	122,724,716	84,542,255	
	Total Expense	189,896,146	163,889,619	
	Less: ASO administrative fees	34,290,824	33,089,502	
	Less: Premium tax	(85,459,153)	(69,638,984)	
	Expenses before ASO admin fees and excluding premium tax	<u>\$ 138,727,817</u>	<u>\$ 127,340,137</u>	8.9%

22. Events Subsequent

Type I – Recognized Subsequent Events:

Subsequent events have been considered through November 10, 2011 for the statutory statement issued on November 15, 2011. The Company has no required disclosures of Type I events (SSAP No. 9).

Type II – Non-recognized Subsequent Events:

Subsequent events have been considered through November 10, 2011 for the statutory statement issued on November 15, 2011. The Company has no required disclosures of Type II events (SSAP No. 9).

25. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2010, a reserve for unpaid insured claims and claim adjustment expenses, net of gross healthcare receivables, amounted to \$196,453,023. Through September 30, 2011, \$159,886,118 has been paid for expenses attributable to insured events of prior years. The re-estimation of reserves for unpaid insured claims and claim adjustment expenses for 2010 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 \$31,273,925. The reserve related to prior years is \$5,292,980 as of September 30, 2011.

Other Notes

There have been no significant changes during the first nine months of 2011 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[X] No[]
- 2.2 If yes, date of change: 03/15/2011

- 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[X] N/A[]
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. 12/31/2008
- 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). 02/23/2011
- 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[] No[] N/A[X]
- 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
US Bank	2204 Lakeshore Drive, Ste 302 Birmingham, AL 35209
Bank of NY Mellon	One Mellon Center, Pittsburgh, PA 15258

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
Exempt	BlackRock Financial Management	40 East 52nd Street, NY, NY 10022
4161	Morgan Keegan	50 Front St., Memphis, TN 38103
113972	Standish Asset Management	BNY Mellon Center, 201 Washington St. Boston, MA 02108

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	..... 83.300%
1.2 A&H cost containment percent	..... 4.000%
1.3 A&H expense percent excluding cost containment expenses	..... 10.900%
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 Domiciliary Jurisdiction	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	Direct Business Only							
			2	3	4	5	6	7	8	9
		Active Status	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama (AL)	N								
2.	Alaska (AK)	N								
3.	Arizona (AZ)	N								
4.	Arkansas (AR)	N								
5.	California (CA)	N								
6.	Colorado (CO)	N								
7.	Connecticut (CT)	N								
8.	Delaware (DE)	N								
9.	District of Columbia (DC)	N								
10.	Florida (FL)	N								
11.	Georgia (GA)	N								
12.	Hawaii (HI)	N								
13.	Idaho (ID)	N								
14.	Illinois (IL)	N								
15.	Indiana (IN)	N								
16.	Iowa (IA)	N								
17.	Kansas (KS)	N								
18.	Kentucky (KY)	N								
19.	Louisiana (LA)	N								
20.	Maine (ME)	N								
21.	Maryland (MD)	N								
22.	Massachusetts (MA)	N								
23.	Michigan (MI)	N								
24.	Minnesota (MN)	N								
25.	Mississippi (MS)	N								
26.	Missouri (MO)	N								
27.	Montana (MT)	N								
28.	Nebraska (NE)	N								
29.	Nevada (NV)	N								
30.	New Hampshire (NH)	N								
31.	New Jersey (NJ)	N								
32.	New Mexico (NM)	N								
33.	New York (NY)	N								
34.	North Carolina (NC)	N								
35.	North Dakota (ND)	N								
36.	Ohio (OH)	N								
37.	Oklahoma (OK)	N								
38.	Oregon (OR)	N								
39.	Pennsylvania (PA)	N								
40.	Rhode Island (RI)	N								
41.	South Carolina (SC)	N								
42.	South Dakota (SD)	N								
43.	Tennessee (TN)	L			1,275,269,315				1,275,269,315	
44.	Texas (TX)	N								
45.	Utah (UT)	N								
46.	Vermont (VT)	N								
47.	Virginia (VA)	N								
48.	Washington (WA)	N								
49.	West Virginia (WV)	N								
50.	Wisconsin (WI)	N								
51.	Wyoming (WY)	N								
52.	American Samoa (AS)	N								
53.	Guam (GU)	N								
54.	Puerto Rico (PR)	N								
55.	U.S. Virgin Islands (VI)	N								
56.	Northern Mariana Islands (MP)	N								
57.	Canada (CN)	N								
58.	Aggregate other alien (OT)	X X X								
59.	Subtotal	X X X			1,275,269,315				1,275,269,315	
60.	Reporting entity contributions for Employee Benefit Plans	X X X								
61.	Total (Direct Business)	(a) 1			1,275,269,315				1,275,269,315	
DETAILS OF WRITE-INS										
5801.		X X X								
5802.		X X X								
5803.		X X X								
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

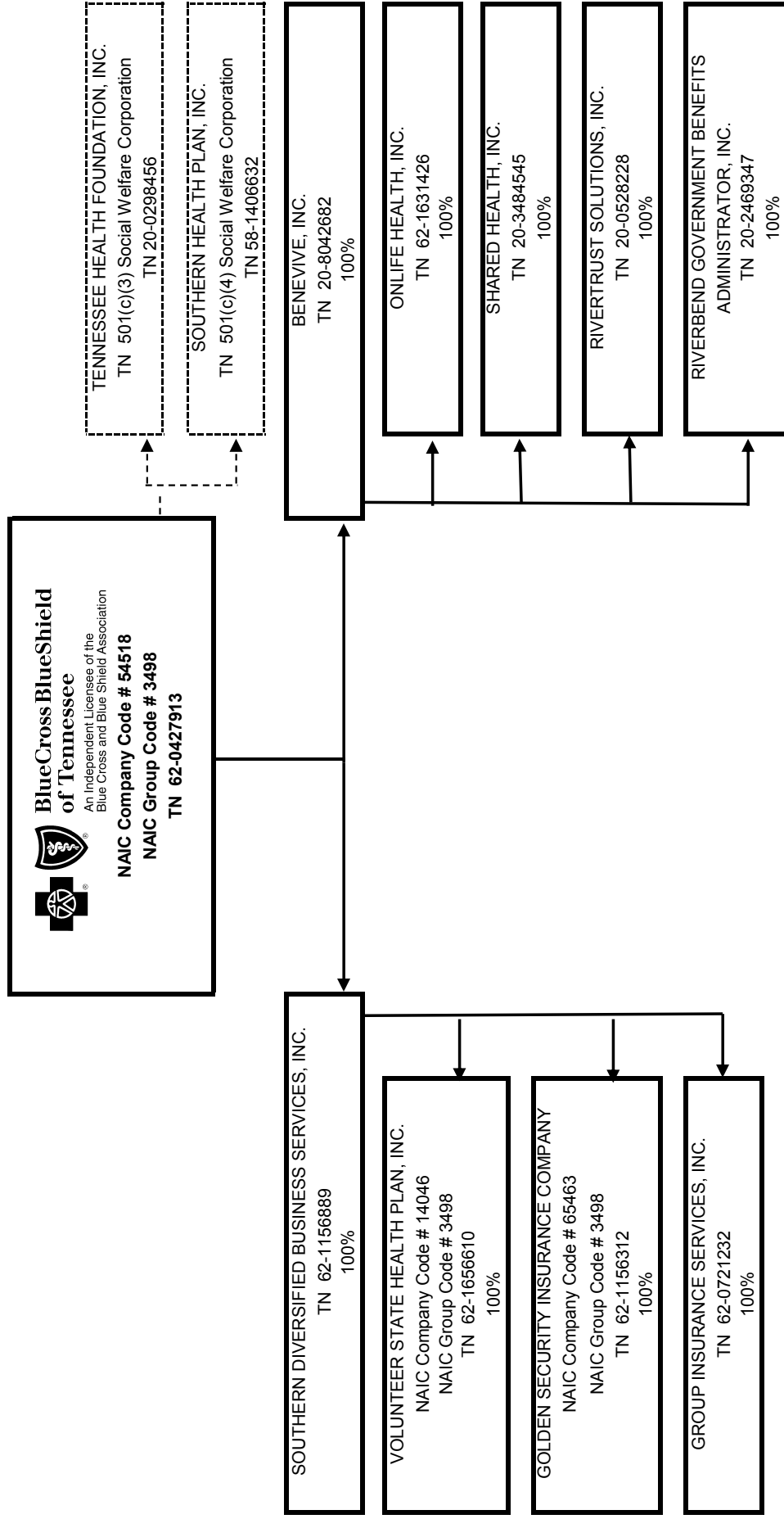
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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



1404620113650003

2011

Document Code: 365

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2304.				
2305.				
2397. Summary of remaining write-ins for Line 23 (Lines 2304 through 2396)				

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			
1404.				
1497. Summary of remaining write-ins for Line 14 (Lines 1404 through 1496)				

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)			

STATEMENT AS OF **September 30, 2011** OF THE **Volunteer State Health Plan, Inc.**
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	160,847,485	93,191,585
2. Cost of bonds and stocks acquired	138,475,715	178,824,377
3. Accrual of discount	42,137	41,434
4. Unrealized valuation increase (decrease)	(13,267)	(7,964)
5. Total gain (loss) on disposals	613,965	1,525,683
6. Deduct consideration for bonds and stocks disposed of	121,387,744	110,385,920
7. Deduct amortization of premium	1,605,536	2,253,006
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		88,704
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	176,972,755	160,847,485
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	176,972,755	160,847,485

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)	434,498,575	735,666,671	875,921,112	(566,583)	301,721,580	434,498,575	293,677,551	438,414,874
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	434,498,575	735,666,671	875,921,112	(566,583)	301,721,580	434,498,575	293,677,551	438,414,874
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	434,498,575	735,666,671	875,921,112	(566,583)	301,721,580	434,498,575	293,677,551	438,414,874

(a) 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 \$.....79,123,752; 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	42,572,497	X X X	42,572,498	100,049	

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	277,567,425	80,553,492
2. Cost of short-term investments acquired	1,232,183,045	531,222,171
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		599
6. Deduct consideration received on disposals	1,467,177,701	334,189,683
7. Deduct amortization of premium	272	19,154
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)	42,572,497	277,567,425
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	42,572,497	277,567,425

SCHEDULE DB - PART A - VERIFICATION

Options, Caps, Floors, Collars, Swaps and Forwards

1.	Book Adjusted Carrying Value, December 31, prior year (Line 9, prior year)	
2.	Cost Paid/(Consideration Received) on additions	
3.	Unrealized Valuation increase/(decrease)	
4.	Total gain (loss) on termination recognized	
5.	Considerations received/(paid) on terminations	NONE
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)	

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 17, current year minus				
	3.22 Section 1, Column 17, prior year				
	Change in amount recognized				
	3.23 Section 1, Column 16, current year minus				
	3.24 Section 1, Column 16, prior year				
3.3	Subtotal (Line 3.1 minus Line 3.2)				
4.1	Variation Margin on terminated contracts during the year	NONE			
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)				

SCHEDULE DB - PART C - SECTION 1

Replication (Synthetic Asset) Transactions Open as of Current Statement Date

1 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 Description	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		

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, Column 14		
3. Total (Line 1 plus Line 2)		
4. Part , Column 5		
5. Part D, Column 6		
6. Total (Line 3 minus Line 4 minus Line 5)		

	Fair Value Check	
7. Part A, Section 1, Column 16	N O N E	
8. Part B, Section 1, Column 13		
9. Total (Line 7 plus Line 8)		
10. Part D, Column 8		
11. Part D, Column 9		
12. Total (Line 9 minus Line 10 minus Line 11)		

	Potential Exposure Check	
13. Part A, Section 1, Column 21		
14. Part B, Section 1, Column 19		
15. Part D, Column 11		
16. Total (Line 13 plus Line 14 minus Line 15)		

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	296,458,827	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	222,326,528	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)	74,132,299	
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)	74,132,299	

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

SCHEDULE BA - PART 2

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

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

SCHEDULE BA - PART 3

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

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

SCHEDULE D - PART 3

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

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
313374Y61	FEDERAL HOME LN BK CONS BD		09/19/2011	Morgan Stanley	X X X	1,685,316	1,680,000.00	513	1
313375BT3	FEDERAL HOME LN BK CONS BD		09/29/2011	BNY/Mizuho Secs	X X X	2,500,000	2,500,000.00	603	1
3135G0BR3	FEDERAL NATL MTG ASSN		09/19/2011	Salomon Brothers	X X X	1,354,185	1,350,000.00	769	1
912828NL0	U S TREASURY NOTE		08/09/2011	Morgan Stanley	X X X	2,082,272	2,000,000.00	3,974	1FE
912828NV8	U S TREASURY NOTE		09/16/2011	JP Morgan Chase	X X X	2,020,257	1,970,000.00	1,285	1
912828QS2	U S TREASURY NOTE		07/07/2011	RBS SECURITIES INC, GREEN	X X X	1,023,722	1,025,000.00	567	1
912828QU7	U S TREASURY NOTE		08/01/2011	Goldman Sachs NY	X X X	902,109	900,000.00	306	1
912828RG7	U S TREASURY NOTE		09/29/2011	VARIOUS	X X X	3,606,921	3,625,000.00	451	1
912828ZL1	U S TREASURY NOTES		09/01/2011	Morgan Stanley	X X X	2,638,094	2,500,000.00	13,644	1
912828RB8	U S TREASURY NOTES		08/31/2011	VARIOUS	X X X	1,231,552	1,225,000.00	366	1
912828QH6	UNITED STATES TREAS NT		09/08/2011	JPMorgan Securities Inc.	X X X	2,692,780	2,630,000.00	2,233	1
0599999	Subtotal - Bonds - U.S. Governments				X X X	21,737,208	21,405,000.00	24,711	X X X
Bonds - U.S. Special Revenue, Special Assessment									
313373JR4	FEDERAL HOME LN BK CONS BD		07/18/2011	UBS Secs	X X X	1,668,351	1,640,000.00	3,195	1FE
3134G2WG3	FEDERAL HOME LN MTG CORP		08/24/2011	Cantor Fitzgerald	X X X	1,253,648	1,250,000.00	521	1FE
3137EACR8	FEDERAL HOME LN MTG CORP		09/08/2011	UBS Secs	X X X	1,810,974	1,770,000.00	946	1FE
3135G0AP8	FEDERAL NATL MTG ASSN		08/05/2011	MF Global Inc/Fixed Incom	X X X	1,342,928	1,320,000.00	7,379	1FE
3140ZQK62	FNMA POOL #0735374		09/02/2011	RBS SECURITIES INC, GREEN	X X X	1,309,796	1,223,393.88	2,753	1FE
3199999	Subtotal - Bonds - U.S. Special Revenue, Special Assessment				X X X	7,385,697	7,203,393.88	14,794	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)									
06738GUZ1	BARCLAYS BANK PLC		09/29/2011	JPMorgan Securities Inc.	X X X	1,029,760	1,000,000.00	3,331	1FE
961214BJ1	WESTPAC BANKING CORP	F	09/29/2011	J P Morgan Secs	X X X	1,013,710	1,000,000.00	8,438	1FE
00206RAP7	AT&T INC		08/01/2011	Wells Fargo Secs	X X X	1,459,055	1,300,000.00	19,114	1FE
06406HBL2	BANK OF NEW YORK MELLON		08/03/2011	Citigroup Global Markets	X X X	598,956	550,000.00	5,453	1FE
110122AL2	BRISTOL MYERS SQUIBB CO SR NT		07/25/2011	Credit Suisse	X X X	437,348	400,000.00	9,508	1FE
17296EZ0	CITIGROUP INC		08/31/2011	VARIOUS	X X X	637,701	600,000.00	12,925	1FE
191216AS9	COCA-COLA CO/THE		08/19/2011	Non Broker Trade	X X X	251,361	250,001.00		1FE
191219AY0	COCA-COLA REFRESH USA		08/19/2011	Non Broker Trade	X X X	1	1.00		1FE
24702RAK7	DELL INC		08/01/2011	Goldman Sachs NY	X X X	1,721,879	1,700,000.00	9,520	1FE
34529RAD3	FORD CREDIT AUTO OWNER TR B A4		07/19/2011	Citigroup Global Markets	X X X	399,960	400,000.00		1FE
369550AK4	GENERAL DYNAMICS CORP		08/19/2011	JPMorgan Securities Inc.	X X X	657,987	620,000.00	7,246	1FE
369550AS7	GENERAL DYNAMICS CORP		07/05/2011	JPMorgan Securities Inc.	X X X	449,280	450,000.00		1FE
36962G4H4	GENERAL ELECTRIC CAPITAL CORP		09/29/2011	Barclays Cap	X X X	1,017,980	1,000,000.00	6,689	1FE
373334JM4	GEORGIA PWR CO SR NT		07/01/2011	Goldman Sachs NY	X X X	420,804	379,000.00	4,169	1FE
38141EA33	GOLDMAN SACHS GROUP INC/THE		09/02/2011	Morgan Stanley	X X X	647,159	600,000.00	12,583	1FE
41283NAD3	HARLEY-DAVIDSON MOTORCYCL 1 A3		09/30/2011	Wells Fargo Securities LL	X X X	601,125	600,000.00	320	1FE
428236BK8	HEWLETT-PACKARD CO		07/20/2011	Morgan Stanley	X X X	202,724	200,000.00	474	1FE
43813TAB9	HONDA AUTO RECEIVABLES OW 1 A2		09/29/2011	Wells Fargo Securities LL	X X X	900,633	900,000.00	309	1FE
285661AD6	HP ENTERPRISE SERVICES LLC		08/03/2011	Wells Fargo Secs	X X X	621,698	565,000.00	659	1FE
44918AAB2	HYUNDAI AUTO RECEIVABLES C A2		09/28/2011	Citigroup GBL	X X X	999,932	1,000,000.00		1FE
458140AH3	INTEL CORP		09/14/2011	Goldman Sachs NY	X X X	349,465	350,000.00		1FE
46623EJEO	JPMORGAN CHASE & CO		08/31/2011	JPMorgan Securities Inc.	X X X	658,242	650,000.00	1,555	1FE
46625HJAO	JPMORGAN CHASE & CO		08/04/2011	JPMorgan Securities Inc.	X X X	1,019,660	1,000,000.00	3,063	1FE
61747WAD1	MORGAN STANLEY		08/31/2011	UBS Secs	X X X	669,944	675,000.00	2,264	1FE

SCHEDULE D - PART 3

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

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
674599CA1	OCCIDENTAL PETROLEUM CORP		07/13/2011	Wells Fargo Securities LL	X X X	1,319,409	1,300,000.00	1,833	1FE
713448BU1	PEPSICO INC		09/28/2011	Mizuho Secs	X X X	999,370	1,000,000.00	532	1FE
693476BM4	PNC FUNDING CORP		09/14/2011	JPMorgan Securities Inc,	X X X	249,698	250,000.00		1FE
742718DU0	PROCTER & GAMBLE CO/THE		08/10/2011	Deutsche Bank Secs	X X X	647,329	650,000.00		1FE
74456QAY2	PUB SVC ELEC & GAS		08/10/2011	JPMorgan Securities Inc,	X X X	1,174,307	1,175,000.00		1FE
78444YAC9	SLM STUDENT LOAN TRUST 5 A3		08/24/2011	Credit Suisse	X X X	305,813	300,000.00	453	1FE
87612EAW6	TARGET CORP		08/01/2011	VARIOUS	X X X	1,555,393	1,550,000.00	475	1FE
90290FAD8	USAA AUTO OWNER TRUST 1 A4		07/19/2011	First Tennessee	X X X	918,563	900,000.00	375	1FE
98158NAB9	WORLD OMNI AUTOMOBILE LE A2		09/29/2011	UBS Secs	X X X	800,844	800,000.00	342	1FE
064149A56	BANK OF NOVA SCOTIA		09/29/2011	Mizuho Secs	X X X	1,018,890	1,000,000.00	4,500	1FE
38999999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)				X X X	25,755,980	25,114,002.00	116,130	X X X
83999997	Subtotal - Bonds - Part 3				X X X	54,878,885	53,722,395.88	155,635	X X X
83999998	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
83999999	Subtotal - Bonds				X X X	54,878,885	53,722,395.88	155,635	X X X
97999998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X
97999999	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X
98999999	Subtotal - Preferred and Common Stocks				X X X	X X X	X X X	X X X	X X X
99999999	Total - Bonds, Preferred and Common Stocks				X X X	54,878,885	X X X	155,635	X X X

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

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors, 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 Carrying Value of Hedged Item	Potential Exposure	Credit Quality of Reference Entity	Hedge Effectiveness at Inception and at Quarter end (a)
144999 Totals																						
														XXX							XXX	XXX

(a)	NONE	
1	Hedge Code	
Code		
0000		

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	14	Change in Valuation Margin			19	20	
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	Fair Value	Book/Adjusted Carrying Value	15	16	17	18	Potential Exposure	Hedge Effectiveness at Inception and at Quarter-End (e)
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p style="margin: 0;">1</p> <p style="margin: 0;">Broker Name</p> <div style="border: 2px solid black; padding: 10px; font-size: 2em; font-weight: bold; text-align: center; margin: 10px 0;">NONE</div> <p style="margin: 0;">2</p> <p style="margin: 0;">Net Cash Deposits</p> </div>																			
<p>9999999 Total - Net Cash Deposits</p>																			
<p>144999 Totals</p>																			
<p>..... XXX</p>																			

(a)	1	2
Code	Financial or Economic Impact of the Hedge at the End of the Reporting Period	
... 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 DL - PART 1 SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date

1 CUSIP Identification	2 Description	3 NAIC Designation Market Indicator	4 Fair Value	5 Book/Adjusted Carrying Value	6 Maturity Dates
NONE					
9999999 Grand Totals					X X X

General Interrogatory:

1. Total activity for the year to date Fair Value \$.....0 Book/Adjusted Carrying Value \$.....0
2. Average balance for the year to date Fair Value \$.....0 Book/Adjusted Carrying Value \$.....0
3. Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation: NAIC 1 \$.....0, NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0

SCHEDULE DL - PART 2 SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date

1 CUSIP Identification	2 Description	3 NAIC Designation / Market Indicator	4 Fair Value	5 Book/Adjusted Carrying Value	6 Maturity Dates
NONE					
9999999 Grand Totals					XXX

General Interrogatory:

1. Total activity for the year to date Fair Value \$.....0 Book/Adjusted Carrying Value \$.....0
2. Average balance for the year to date Fair Value \$.....0 Book/Adjusted Carrying Value \$.....0
3. Grand Total Schedule DL Part 1 and Part 2 Fair Value \$.....0 Book/Adjusted Carrying Value \$.....0

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

1	2	3	4	5	Book Balance at End of Each Month			9	
					During Current Quarter				
					6	7	8		
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*	
open depositories									
PITTSBURGH NAT BK TD	MELLON		0.010				871,930	X X X	
DNB NOR BANK ASA TD	MELLON		0.040	2			1,383,880	X X X	
DANSKE BANK TD	MELLON		0.120	6			1,898,269	X X X	
DEUTSCHE BK TD	MELLON		0.080	11			4,948,752	X X X	
SWEDBANK TD	MELLON		0.010				1,554,699	X X X	
NORDEA NORTH AMER TD	MELLON		0.010				588,269	X X X	
DNB NOR BANK ASA TD	MELLON		0.010				1,123,800	X X X	
SKANDINAVISKA ENS TD	MELLON		0.010	1			2,098,350	X X X	
COMMERZBANK AG TD	MELLON		0.010				1,706,694	X X X	
US Bank	150 4th Avenue North, Nashville, TN 37219					506,374	138,884,974	44,728,745	X X X
US Bank	150 4th Avenue North, Nashville, TN 37219					11,076,822	7,308,676	6,066,840	X X X
US Bank	150 4th Avenue North, Nashville, TN 37219					2,540,988	2,551,069	2,600,050	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402					1,086,358	1,074,028	1,077,935	X X X
US Bank	150 4th Avenue North, Nashville, TN 37219					(6,104,626)	(142,368,571)	(6,782,289)	X X X
									X X X
									X X X
									X X X
									X X X
									X X X
0199998 Deposits in	16 depositories that do not exceed the								
allowable limit in any one depository - open depositories		X X X	X X X	146		195,186	209,815	221,726	X X X
0199999 Totals - Open Depositories		X X X	X X X	146	20	9,301,102	7,659,991	64,087,650	X X X
0299998 Deposits in	0 depositories that do not exceed the								
allowable limit in any one depository - 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	146	20	9,301,102	7,659,991	64,087,650	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	146	20	9,301,102	7,659,991	64,087,650	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
Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations							
ABN AMRO FDG USA DISC		09/29/2011	0.000	01/30/2012	1,997,062	49	
BG ENERGY FIN INC DISC		09/30/2011	0.000	01/25/2012	1,497,953	18	
BARCLAYS US FDG DISC		09/30/2011	0.000	10/03/2011	1,999,987	4	
GEMINI SECR DISC		09/30/2011	0.000	11/21/2011	2,498,844	23	
MARKET STREET FDG DISC		09/30/2011	0.000	01/05/2012	1,998,922	11	
NATIONAL AUST FDG DISC		09/29/2011	0.000	01/17/2012	1,998,167	34	
ROYAL BANK CANADA DISC		09/29/2011	0.000	03/27/2012	1,997,800	25	
TORONTO DOM HLDGS DISC		09/29/2011	0.000	04/04/2012	1,796,688	36	
WESTPAC BANKING DISC		09/30/2011	0.000	03/28/2012	1,496,550	19	
SALI CAT 3 REPO		09/30/2011	0.120	10/03/2011	6,192,224	20	
GREENWH CAT 3 REPO		09/30/2011	0.030	10/03/2011	5,642,676	5	
JPM CAT 3 REPO		09/30/2011	0.090	10/03/2011	4,432,758	11	
BOA CAT 3 REPO REPO		09/30/2011	0.080	10/03/2011	2,106,895	5	
DEUT CAT 3 REPO REPO		09/30/2011	0.070	10/03/2011	1,347,252	3	
BNP PARIBAS FIN REPO		09/30/2011	0.120	10/03/2011	10,325,362	34	
JPM CAT 1 REPO REPO		09/30/2011	0.020	10/03/2011	1,669,578	1	
GOLDMAN CAT 1 REPO		09/30/2011	0.010	10/03/2011	631,640		
BOA CAT 1 REPO REPO		09/30/2011	0.010	10/03/2011	1,489,532		
SALI CAT 1 REPO		09/30/2011	0.050	10/03/2011	8,497,961	12	
DEUT CAT 1 REPO REPO		09/30/2011	0.030	10/03/2011	1,161,725	1	
BZW CAT 1 REPO REPO		09/30/2011	0.050	10/03/2011	9,497,700	13	
GREENWICH CAPITAL REPO		09/30/2011	0.030	10/03/2011	3,855,023	3	
3299999 Subtotals - Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations					74,132,299	327	
3699999 Subtotals - Industrial & Miscellaneous (Unaffiliated)					74,132,299	327	
7799999 Subtotals - Issuer Obligations					74,132,299	327	
8399999 Subtotals - Bonds					74,132,299	327	
8499999 Sweep Accounts							
8599999 Other Cash Equivalents							
8699999 Total - Cash Equivalents					74,132,299	327	



MEDICARE PART D COVERAGE SUPPLEMENT

Net of Reinsurance

NAIC Group Code: 3498

NAIC Company Code: 14046

	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	13,235,535					13,235,535
Premium Accrual.....	5,763,731	2,290,501	1,708,890	(4,152,495)		5,610,627
0499997 Subtotal - Medicaid Entities.....	18,999,266	2,290,501	1,708,890	(4,152,495)	-	18,846,162
0499999 Premiums due and unpaid from Medicaid entities.....	-	-	-	-	-	-
0599999 Accident and health premiums due and unpaid (Page 2, Line 13).....	18,999,266	2,290,501	1,708,890	(4,152,495)	-	18,846,162

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	-	-	-	1,001,832	1,001,832	-
0299998	Claim Overpayment Receivables - Not Individually Listed.....	-	-	-	1,001,832	1,001,832	-
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.....	-	-	-	1,001,832	1,001,832	-

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								
0199999 Total - individually listed receivables	NONE							
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	Administrative Expense offset and Federal Income Tax Expense	12,920,100	12,920,100	-
0199999 Total - Individually listed payables	.....XXX	12,920,100	12,920,100	-
0299999 Payables not individually listed	.....XXX	.....	.....	.....
0399999 Total gross payables	.....XXX	12,920,100	12,920,100	-