

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

**of  
Chattanooga  
in the state of  
Tennessee**

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

**FOR THE QUARTER ENDED  
June 30, 2012**

**2012**



**QUARTERLY STATEMENT**  
**AS OF June 30, 2012**  
**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 Toliver Ralph Woodard, Jr (423)535-5192  
 (Name) (Area Code)(Telephone Number)(Extension)  
Ralph\_Woodard@bcbst.com (423)535-8331  
 (E-Mail Address) (Fax Number)

**CORPORATE OFFICERS**

Name	Title
Scott Christian Pierce	President & CEO
Shelia Dian Clemons	Secretary
Katharine Anne Laurance	Assistant Secretary
Brian Edward Stana	Treasurer #
Alaine Marie Zachary	Assistant Treasurer

**ADMINISTRATIVE OFFICERS**

Reid Allen Smiley, Chief Financial Officer  
 David Matthew Moroney MD, VP & Chief Medical Officer  
 Amber Jeanine Cambron, VP & Chief Operating Officer  
 James Howard Srite, Actuary

**DIRECTORS OR TRUSTEES**

William Morgan Gracey, Chairman #  
 Vicky Brown Gregg #  
 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 14<sup>th</sup> day of August, 2012

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

Yes[X] No[ ]

Notary Public Signature)

**My Commission Expires:  
 January 8, 2014**



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**Statement of Actuarial Opinion**ACTUARIAL OPINION

## TABLE of KEY INDICATORS

This Opinion is:  Unqualified     Qualified     Adverse     Inconclusive

## IDENTIFICATION SECTION

 Prescribed Wording Only     Prescribed Wording with Additional Wording     Revised Wording

## SCOPE SECTION

 Prescribed Wording Only     Prescribed Wording with Additional Wording     Revised Wording

## RELIANCE SECTION

 Prescribed Wording Only     Prescribed Wording with Additional Wording     Revised Wording

## OPINION SECTION

 Prescribed Wording Only     Prescribed Wording with Additional Wording     Revised Wording

## RELEVANT COMMENTS

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

## IDENTIFICATION

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

## SCOPE

I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities and related items listed below, as shown in the 2<sup>nd</sup> quarter statement of Volunteer State Health Plan as prepared for filing with state regulatory officials, as of June 30, 2012.

A. Claims unpaid (Page 3, Line 1);	\$ 141,365,007
B. Accrued medical incentive pool and bonus payments (Page 3, Line 2);	\$856,172
C. Unpaid claims adjustment expenses (Page 3, Line 3);	\$ 7,629,405
D. Aggregate health policy reserves (Page 3, Line 4) including unearned premium reserves and additional policy reserves from the Underwriting and Investment Exhibit - Part 2D;	\$0
E. Aggregate life policy reserves (Page 3, Line 5);	\$0
F. Property/casualty unearned premium reserves (Page 3, Line 6);	\$0
G. Aggregate health claim reserves (Page 3, Line 7); and	\$0
H. Any actuarial reserves or liabilities not included in the items above.	\$0
I. Specified actuarial items presented as assets in the annual statement	\$0

## RELIANCE

In forming my opinion on loss reserves, I relied upon data prepared by Norman John Zwitter, FSA, MAAA, Valuation Actuary, by Ann Tate, Financial Coordinator of Subsidiary Accounting, by Trey White, Director of Financial Reporting, and by John Timothy Morgan, Senior Manager Information Management Finance as certified in the attached statements. I evaluated that data for reasonableness and consistency. I also reconciled that data to the Underwriting and Investment Exhibit - Part 2B of the company's current quarterly statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary.

## OPINION

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

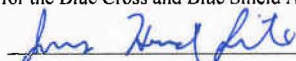
- A. Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- B. Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- C. Meet the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

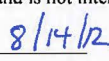
The Underwriting and Investment Exhibit - Part 2B was reviewed for reasonableness and consistency with the applicable Actuarial Standards of Practice.

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

## RELEVANT COMMENTS

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

  
James Howard Srite, FSA, MAAA

  
Date

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

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**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	197,479,696		197,479,696	184,988,386
2. Stocks:				
2.1 Preferred stocks .....				
2.2 Common stocks .....				
3. Mortgage loans on real estate:				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2 Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3 Properties held for sale (less \$.....0 encumbrances) .....				
5. Cash (\$.....(3,604,786)), cash equivalents (\$.....44,419,655) and short-term investments (\$.....164,772,282) .....	205,587,151		205,587,151	184,519,385
6. Contract loans (including \$.....0 premium notes) .....				
7. Derivatives .....				
8. Other invested assets .....				
9. Receivables for securities .....	937,255		937,255	803,972
10. Securities lending reinvested collateral assets .....				
11. Aggregate write-ins for invested assets .....				
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	404,004,102		404,004,102	370,311,743
13. Title plants less \$.....0 charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	1,350,778		1,350,778	1,156,594
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....				16,815,438
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 .....	1,512,080		1,512,080	1,201,036
18.1 Current federal and foreign income tax recoverable and interest thereon .....				
18.2 Net deferred tax asset .....	4,733,619	763,927	3,969,692	4,443,691
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 .....	976,942	976,942		
25. Aggregate write-ins for other than invested assets .....	78,000	78,000		
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	412,655,521	1,818,869	410,836,652	393,928,502
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. Total (Lines 26 and 27) .....	412,655,521	1,818,869	410,836,652	393,928,502
<b>DETAILS OF WRITE-INS</b>				
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 .....	78,000	78,000		
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) .....	78,000	78,000		

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded) .....	141,365,007		141,365,007	159,627,541
2. Accrued medical incentive pool and bonus amounts .....	856,172		856,172	850,917
3. Unpaid claims adjustment expenses .....	7,629,405		7,629,405	8,014,422
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act .....				
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserve .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....				
9. General expenses due or accrued .....	6,628,692		6,628,692	6,236,739
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 .....	8,123		8,123	10,989
13. Remittances and items not allocated .....	2,246,080		2,246,080	2,122,489
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	23,267,703		23,267,703	16,820,969
16. Derivatives .....				
17. Payable for securities .....	1,496,146		1,496,146	
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 .....	348,018		348,018	895,768
23. Aggregate write-ins for other liabilities (including \$.....0 current) .....	30,363,706		30,363,706	24,313,559
24. Total liabilities (Lines 1 to 23) .....	214,209,052		214,209,052	218,893,393
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	34,850,000	34,651,682
31. Unassigned funds (surplus) .....	X X X	X X X	(10,522,400)	(31,916,573)
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	196,627,600	175,035,109
34. Total Liabilities, capital and surplus (Lines 24 and 33) .....	X X X	X X X	410,836,652	393,928,502
<b>DETAILS OF WRITE-INS</b>				
2301. Insured Premium Tax Payable .....	22,672,206		22,672,206	24,175,817
2302. Due State of Tennessee - Premium Payable .....	7,550,795		7,550,795	
2303. Pending Escheatment To State .....	129,398		129,398	104,569
2398. Summary of remaining write-ins for Line 23 from overflow page .....	11,307		11,307	33,173
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	30,363,706		30,363,706	24,313,559
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	34,850,000	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	34,850,000	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	2,397,680	2,471,442	4,911,134
2. Net premium income (including \$.....0 non-health premium income) .....	X X X	841,451,259	851,247,238	1,695,982,644
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	841,451,259	851,247,238	1,695,982,644
<b>Hospital and Medical:</b>				
9. Hospital/medical benefits .....		522,728,366	533,567,532	1,055,574,645
10. Other professional services .....		140,340,719	117,204,827	252,177,346
11. Outside referrals .....				
12. Emergency room and out-of-area .....		21,392,326	22,071,755	42,394,538
13. Prescription drugs .....				
14. Aggregate write-ins for other hospital and medical .....				
15. Incentive pool, withhold adjustments and bonus amounts .....		1,004,503	474,958	1,474,958
16. Subtotal (Lines 9 to 15) .....		685,465,914	673,319,072	1,351,621,487
<b>Less:</b>				
17. Net reinsurance recoveries .....				
18. Total hospital and medical (Lines 16 minus 17) .....		685,465,914	673,319,072	1,351,621,487
19. Non-health claims (net) .....				
20. Claims adjustment expenses, including \$.....27,333,728 cost containment expenses .....		48,491,226	60,521,905	89,112,502
21. General administrative expenses .....		74,943,626	68,084,253	160,252,412
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) .....		808,900,766	801,925,230	1,600,986,401
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X	32,550,493	49,322,008	94,996,243
25. Net investment income earned .....		1,370,522	1,690,590	3,128,627
26. Net realized capital gains (losses) less capital gains tax of \$.....0 .....		29,101	324,036	585,287
27. Net investment gains or (losses) (Lines 25 plus 26) .....		1,399,623	2,014,626	3,713,914
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	33,950,116	51,336,634	98,710,157
31. Federal and foreign income taxes incurred .....	X X X	11,802,354	17,728,747	25,211,047
32. Net income (loss) (Lines 30 minus 31) .....	X X X	22,147,762	33,607,887	73,499,110
<b>DETAILS OF WRITE-INS</b>				
0601. ....	X X X			
0602. ....	X X X			
0603. ....	X X X			
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X			
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X			
0701. ....	X X X			
0702. ....	X X X			
0703. ....	X X X			
0798. Summary of remaining write-ins for Line 7 from overflow page .....	X X X			
0799. TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	X X X			
1401. ....				
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
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33. Capital and surplus prior reporting year .....	175,035,109	104,921,560	104,921,560
34. Net income or (loss) from Line 32 .....	22,147,762	33,607,887	73,499,110
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	48,250	4,374	2,642
37. Change in net unrealized foreign exchange capital gain or (loss) .....			
38. Change in net deferred income tax .....	(543,585)	(738,757)	(9,256,390)
39. Change in nonadmitted assets .....	(59,935)	6,245,209	5,868,187
40. Change in unauthorized reinsurance .....			
41. Change in treasury stock .....			
42. Change in surplus notes .....			
43. Cumulative effect of changes in accounting principles .....			
44. Capital Changes:			
44.1 Paid in .....			
44.2 Transferred from surplus (Stock Dividend) .....			
44.3 Transferred to surplus .....			
45. Surplus adjustments:			
45.1 Paid in .....			
45.2 Transferred to capital (Stock Dividend) .....			
45.3 Transferred from capital .....			
46. Dividends to stockholders .....			
47. Aggregate write-ins for gains or (losses) in surplus .....	(1)	6	
48. Net change in capital and surplus (Lines 34 to 47) .....	21,592,491	39,118,719	70,113,549
49. Capital and surplus end of reporting period (Line 33 plus 48) .....	196,627,600	144,040,279	175,035,109
<b>DETAILS OF WRITE-INS</b>			
4701. Rounding .....	(1)	6	
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) .....	(1)	6	

Report #2A: TennCare Select Only			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	138,608	276,377	538,990
<b>Estimated Revenues:</b>			
1. TennCare Capitation	91,218,681	197,586,691	365,372,932
2. Investment	-	-	-
3. Other Revenues	-	-	-
<b>4. Total Estimated Revenues (Lines 1 to 3)</b>	<b>91,218,681</b>	<b>197,586,691</b>	<b>365,372,932</b>
<b>Estimated Expenses:</b>			
<b>Hospital and Medical (w/o Mental Health)</b>			
5. Capitated Physician Services	289,000	571,222	1,090,389
6. Fee-for Service Physician Services	10,003,544	21,704,229	40,263,944
7. Inpatient Hospital Services	15,542,692	38,648,045	76,799,881
8. Outpatient Hospital Services	8,390,726	17,207,368	30,746,261
9. Emergency Room Services	1,213,314	2,399,474	4,491,571
10. Dental Services	-	335	308
11. Vision Services	73,917	162,844	283,460
12. Pharmacy Services	-	-	(1,194)
13. Home Health Services	24,635,491	52,108,806	96,110,319
14. Chiropractic Services	-	-	-
15. Radiology Services	279,126	588,491	1,211,898
16. Laboratory Services	389,925	797,990	1,460,182
17. Durable Medical Equipment Services	5,115,560	10,246,047	14,538,794
18. Transportation Services	816,059	1,667,051	3,738,243
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	-	-	-
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	33,431	88,008	420,112
23. HCBS Services	570	1,502	2,882
24. Other Medical and Hospital Services - Write-Ins	1,835,750	4,003,605	6,295,145
<b>25. Subtotal Medical and Hospital (Lines 5 to 24)</b>	<b>68,619,105</b>	<b>150,195,017</b>	<b>277,452,195</b>
<b>Mental Health and Substance Abuse Services</b>			
26. Inpatient Psychiatric Facility Services	997,509	2,092,577	4,942,226
27. Inpatient Substance Abuse Treatment and Detox	9,694	15,694	21,598
28. Outpatient Mental Health Services	3,145,707	7,084,077	13,837,283
29. Outpatient Substance Abuse Treatment and Detox	-	-	-
30. Housing/Residential Treatment	1,481,448	3,440,536	6,880,297
31. Specialized Crisis Services	278,255	562,259	1,054,391
32. Psychiatric Rehab and Support Services	129,204	278,991	1,410,762
33. Case Management	2,017,112	4,432,640	8,729,140
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	20,875	44,455	78,909
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	2,154,070	4,038,359	6,540,689
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
<b>44. Subtotal MH &amp; SAS (Lines 26 to 43)</b>	<b>10,233,874</b>	<b>21,989,588</b>	<b>43,495,295</b>
<b>45. Subtotal Hospital, Medical, MH&amp;SAS (Lines 25 and 44)</b>	<b>78,852,979</b>	<b>172,184,605</b>	<b>320,947,490</b>
<b>LESS:</b>			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	(110)	210	(786)
48. Subrogation and Coordination of Benefits	35,720	249,995	502,350
<b>49. Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)</b>	<b>35,610</b>	<b>250,205</b>	<b>501,564</b>
<b>50. Total Hospital, Medical, MH&amp;SAS (Lines 45 and 49)</b>	<b>78,817,369</b>	<b>171,934,400</b>	<b>320,445,926</b>
<b>Administration:</b>			
51. Compensation	3,842,230	7,992,714	13,140,965
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	5,050,335	10,900,576	20,095,511
55. Occupancy, Depreciation, and Amortization	328,922	684,234	1,124,962
56. Other Administration - Write-Ins	1,976,489	4,111,550	6,759,870
<b>57. Total Administration Expenses (Lines 51 to 56)</b>	<b>11,197,976</b>	<b>23,689,074</b>	<b>41,121,308</b>
<b>58. Total Expenses (Lines 50 and 57)</b>	<b>90,015,345</b>	<b>195,623,474</b>	<b>361,567,234</b>
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	417,685	682,489	971,994
<b>61. Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)</b>	<b>785,651</b>	<b>1,280,728</b>	<b>2,833,704</b>
<b>Write-Ins for Other Expense</b>			
Detail of Other Revenues			
0301.	-	-	-
0399. Total Other Revenues	-	-	-
Detail of Other Medical and Hospital:			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	1,668,464	3,767,375	6,804,084
2202. Out of Area Claims Expense	-	-	(4,692)
2203. Bad Debt Expense	167,286	236,230	(504,247)
2299. Total Other Medical and Hospital	1,835,750	4,003,605	6,295,145
Detail of Other MH & SAS:			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
Detail of Other Administration:			
5601. Equipment Rental	699,164	1,454,422	2,391,241
5602. Outsourced Services	589,571	1,226,443	2,016,416
5603. Auditing, Actuarial, and Other Consulting	248,768	517,493	850,818
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	240,520	500,337	822,613
5605. Postage/Telephone	148,594	309,110	508,213
5606. Printing and Stationary	49,872	103,745	170,569
5699. Total Other Administration	1,976,489	4,111,550	6,759,870

<b>Report #2A: BlueCare West Only</b>			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	539,114	1,078,529	2,185,691
<b>Estimated Revenues:</b>			
1. TennCare Capitation	191,610,620	375,940,498	741,600,132
2. Investment	287,269	650,808	1,695,885
3. Other Revenues	43,000	68,000	67,712
4. <b>Total Estimated Revenues (Lines 1 to 3)</b>	191,940,889	376,659,306	743,363,729
<b>Estimated Expenses:</b>			
<b>Hospital and Medical (w/o Mental Health)</b>			
5. Capitated Physician Services	(3,445)	-	-
6. Fee-for Service Physician Services	27,779,357	60,644,823	124,112,987
7. Inpatient Hospital Services	28,031,485	53,030,728	101,548,192
8. Outpatient Hospital Services	21,636,703	38,098,342	69,289,254
9. Emergency Room Services	6,809,649	12,757,462	25,005,773
10. Dental Services	28	28	3,176
11. Vision Services	95,022	205,579	432,083
12. Pharmacy Services	-	-	-
13. Home Health Services	5,431,966	11,054,866	22,320,774
14. Chiropractic Services	-	-	-
15. Radiology Services	1,367,642	2,907,913	6,265,336
16. Laboratory Services	2,259,803	4,774,075	9,644,988
17. Durable Medical Equipment Services	2,319,810	5,035,906	8,269,805
18. Transportation Services	3,019,002	6,175,465	13,907,103
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	390,000	390,000	297,587
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	30,036,145	61,015,024	134,345,774
23. HCBS Services	9,905,016	19,021,241	20,828,843
24. Other Medical and Hospital Services - Write-Ins	2,457,536	5,064,827	9,043,589
25. <b>Subtotal Medical and Hospital (Lines 5 to 24)</b>	141,535,719	280,176,279	545,315,264
<b>Mental Health and Substance Abuse Services</b>			
26. Inpatient Psychiatric Facility Services	1,744,327	3,557,962	4,938,436
27. Inpatient Substance Abuse Treatment and Detox	86,981	186,101	243,258
28. Outpatient Mental Health Services	1,431,342	2,810,736	4,114,838
29. Outpatient Substance Abuse Treatment and Detox	-	-	609
30. Housing/Residential Treatment	796,824	1,643,668	2,432,211
31. Specialized Crisis Services	839,274	1,661,539	3,113,205
32. Psychiatric Rehab and Support Services	314,924	629,819	967,660
33. Case Management	2,879,236	6,015,050	12,286,032
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	32,700	62,055	114,128
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	1,927,824	3,038,282	6,408,556
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
44. <b>Subtotal MH &amp; SAS (Lines 26 to 43)</b>	10,053,432	19,605,212	34,618,933
45. <b>Subtotal Hospital, Medical, MH&amp;SAS (Lines 25 and 44)</b>	151,589,151	299,781,491	579,934,197
<b>LESS:</b>			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	14,750	28,678	52,274
48. Subrogation and Coordination of Benefits	(4,513)	(4,513)	-
49. <b>Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)</b>	10,237	24,165	52,274
50. <b>Total Hospital, Medical, MH&amp;SAS, (Lines 45 and 49)</b>	151,578,914	299,757,326	579,881,923
<b>Administration:</b>			
51. Compensation	10,504,450	21,198,461	43,471,825
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	10,540,949	20,680,467	40,791,731
55. Occupancy, Depreciation, and Amortization	899,257	1,814,742	3,721,503
56. Other Administration - Write-Ins	5,403,618	10,904,750	22,362,441
57. <b>Total Administration Expenses (Lines 51 to 56)</b>	27,348,274	54,598,420	110,347,500
58. <b>Total Expenses (Lines 50 and 57)</b>	178,927,188	354,355,746	690,229,423
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	4,516,224	7,753,567	13,570,756
61. <b>Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)</b>	8,497,477	14,549,993	39,563,550
<b>Write-Ins for Other Expense</b>			
<b>Detail of Other Revenues</b>			
0301. Pay-for-Performance Bonus	43,000	68,000	67,712
0399. Total Other Revenues	43,000	68,000	67,712
<b>Detail of Other Medical and Hospital:</b>			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	2,456,148	4,973,417	8,763,942
2202. Bad Debt Expense	1,388	91,428	279,874
2203. Out of Area Claims Expense	-	(18)	(227)
2299. Total Other Medical and Hospital	2,457,536	5,064,827	9,043,589
<b>Detail of Other MH &amp; SAS:</b>			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
4199. Total Other MH & SAS	-	-	-
<b>Detail of Other Administration:</b>			
5601. Equipment Rental	1,911,480	3,857,453	7,910,503
5602. Outsourced Services	1,611,857	3,252,801	6,670,541
5603. Auditing, Actuarial, and Other Consulting	680,116	1,372,506	2,814,608
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	657,569	1,327,006	2,721,299
5605. Postage/Telephone	406,249	819,829	1,681,228
5606. Printing and Stationary	136,347	275,155	564,262
5699. Total Other Administration	5,403,618	10,904,750	22,362,441

<b>Report #2A: BlueCare East Only</b>			
Member Months	Current Year		Previous Year
	Current Period	Year-to-Date Total	Total
	656,480	1,319,151	2,725,444
<b>Estimated Revenues:</b>			
1. TennCare Capitation	234,350,418	465,399,455	954,333,664
2. Investment	351,107	795,470	2,109,301
3. Other Revenues	28,000	43,000	-
<b>4. Total Estimated Revenues (Lines 1 to 3)</b>	<b>234,729,525</b>	<b>466,237,925</b>	<b>956,442,965</b>
<b>Estimated Expenses:</b>			
<b>Hospital and Medical (w/o Mental Health)</b>			
5. Capitated Physician Services	(68,420)	-	-
6. Fee-for Service Physician Services	44,579,781	96,057,178	194,350,770
7. Inpatient Hospital Services	33,272,176	72,665,127	134,874,373
8. Outpatient Hospital Services	18,155,603	36,848,603	73,375,772
9. Emergency Room Services	4,314,879	8,639,906	17,333,899
10. Dental Services	2,595	4,739	8,861
11. Vision Services	142,666	324,616	604,829
12. Pharmacy Services	-	-	-
13. Home Health Services	6,787,299	14,023,805	29,885,303
14. Chiropractic Services	-	-	-
15. Radiology Services	1,830,149	3,836,199	8,056,167
16. Laboratory Services	4,376,926	7,142,252	11,309,294
17. Durable Medical Equipment Services	4,648,902	9,708,343	17,211,368
18. Transportation Services	3,766,648	7,704,393	19,809,689
19. Outside Referrals	-	-	-
20. Medical Incentive Pool and Withhold Adj	614,503	614,503	1,177,369
21. Occupancy, Depreciation and Amortization	-	-	-
22. Nursing Facility Care	39,931,315	79,790,975	181,835,964
23. HCBS Services	8,831,239	16,453,422	23,735,901
24. Other Medical and Hospital Services - Write-Ins	2,541,417	5,410,549	9,977,410
<b>25. Subtotal Medical and Hospital (Lines 5 to 24)</b>	<b>173,727,678</b>	<b>359,224,610</b>	<b>723,546,969</b>
<b>Mental Health and Substance Abuse Services</b>			
26. Inpatient Psychiatric Facility Services	1,395,262	2,537,557	4,750,333
27. Inpatient Substance Abuse Treatment and Detox	101,902	214,928	252,856
28. Outpatient Mental Health Services	3,480,442	6,795,226	11,262,597
29. Outpatient Substance Abuse Treatment and Detox	-	-	-
30. Housing/Residential Treatment	946,819	1,891,744	3,785,300
31. Specialized Crisis Services	739,945	1,530,729	5,871,564
32. Psychiatric Rehab and Support Services	1,008,014	1,799,241	3,438,101
33. Case Management	3,415,326	6,987,556	12,226,192
34. Forensics	-	-	-
35. Other Judicial	-	-	-
36. Pharmacy	-	-	-
37. Lab Services	56,547	101,980	156,576
38. Transportation	-	-	-
39. Medical Incentive Pool and Withhold Adjustments	-	-	-
40. Occupancy, Depreciation and Amortization	-	-	-
41. Other Mental Health and Substance Abuse Services	2,776,021	4,696,569	6,579,215
42. PCP and Specialist Services	-	-	-
43. Other Mental Health Services - Write-Ins	-	-	-
<b>44. Subtotal MH &amp; SAS (Lines 26 to 43)</b>	<b>13,920,278</b>	<b>26,555,530</b>	<b>48,322,734</b>
<b>45. Subtotal Hospital, Medical, MH&amp;SAS (Lines 25 and 44)</b>	<b>187,647,956</b>	<b>385,780,140</b>	<b>771,869,703</b>
<b>LESS:</b>			
46. Net Reinsurance Recoveries Incurred	-	-	-
47. Copayments	30,884	64,703	129,784
48. Subrogation and Coordination of Benefits	(4,374)	(4,374)	381
<b>49. Subtotal Reinsurance, Copay, Subrogation (Lines 46 to 48)</b>	<b>26,510</b>	<b>60,329</b>	<b>130,165</b>
<b>50. Total Hospital, Medical, MH&amp;SAS, (Lines 45 and 49)</b>	<b>187,621,446</b>	<b>385,719,811</b>	<b>771,739,538</b>
<b>Administration:</b>			
51. Compensation	13,781,809	27,943,888	56,075,779
52. Marketing	-	-	-
53. Interest Expense	-	-	-
54. Premium Tax Expense	12,890,813	25,599,335	52,488,352
55. Occupancy, Depreciation, and Amortization	1,179,823	2,392,200	4,800,493
56. Other Administration - Write-Ins	7,089,530	14,374,677	28,846,069
<b>57. Total Administration Expenses (Lines 51 to 56)</b>	<b>34,941,975</b>	<b>70,310,100</b>	<b>142,210,693</b>
<b>58. Total Expenses (Lines 50 and 57)</b>	<b>222,563,421</b>	<b>456,029,911</b>	<b>913,950,231</b>
59. Extraordinary Item	-	-	-
60. Provision for Income Tax	4,231,053	3,548,695	10,852,848
<b>61. Net Income (Loss) (Line 4 Less Lines 58, 59 and 60)</b>	<b>7,935,051</b>	<b>6,659,319</b>	<b>31,639,886</b>
<b>Write-Ins for Other Expense</b>			
<b>Detail of Other Revenues</b>			
0301. Pay-for-Performance Bonus	28,000	43,000	-
0399. Total Other Revenues	28,000	43,000	-
<b>Detail of Other Medical and Hospital:</b>			
2201. PT/OT/ST, Supplies, Prosthetics, etc.	2,539,720	5,298,803	9,571,627
2202. Bad Debt Expense	1,697	111,746	348,590
2203. Out of Area Claims Expense	-	-	57,193
<b>2299. Total Other Medical and Hospital</b>	<b>2,541,417</b>	<b>5,410,549</b>	<b>9,977,410</b>
<b>Detail of Other MH &amp; SAS:</b>			
4101.	-	-	-
4102.	-	-	-
4103.	-	-	-
<b>4199. Total Other MH &amp; SAS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Detail of Other Administration:</b>			
5601. Equipment Rental	2,507,853	5,084,905	10,204,025
5602. Outsourced Services	2,114,752	4,287,854	8,604,556
5603. Auditing, Actuarial, and Other Consulting	892,311	1,809,243	3,630,658
5604. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	862,730	1,749,264	3,510,296
5605. Postage/Telephone	532,997	1,080,701	2,168,674
5606. Printing and Stationary	178,887	362,710	727,860
<b>5699. Total Other Administration</b>	<b>7,089,530</b>	<b>14,374,677</b>	<b>28,846,069</b>

**CASH FLOW**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance .....	858,266,697	804,220,500	1,579,668,663
2. Net investment income .....	2,314,460	2,513,431	5,201,202
3. Miscellaneous income .....			
4. Total (Lines 1 to 3) .....	860,581,157	806,733,931	1,584,869,865
5. Benefit and loss related payments .....	703,723,193	676,370,334	1,376,697,004
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
7. Commissions, expenses paid and aggregate write-ins for deductions .....	124,286,710	124,313,389	250,119,152
8. Dividends paid to policyholders .....			
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	11,802,354	17,728,747	25,211,047
10. Total (Lines 5 through 9) .....	839,812,257	818,412,470	1,652,027,203
11. Net cash from operations (Line 4 minus Line 10) .....	20,768,900	(11,678,539)	(67,157,338)
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	59,306,740	77,097,008	169,827,029
12.2 Stocks .....			
12.3 Mortgage loans .....			
12.4 Real estate .....			
12.5 Other invested assets .....			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....			
12.7 Miscellaneous proceeds .....	1,492,260	1,446,199	35,289
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	60,799,000	78,543,207	169,862,318
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	72,866,666	83,596,835	195,561,830
13.2 Stocks .....			
13.3 Mortgage loans .....			
13.4 Real estate .....			
13.5 Other invested assets .....			
13.6 Miscellaneous applications .....	121,552	345	796,685
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	72,988,218	83,597,180	196,358,515
14. Net increase (or decrease) in contract loans and premium notes .....			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(12,189,218)	(5,053,973)	(26,496,197)
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....			
16.2 Capital and paid in surplus, less treasury stock .....			
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) .....	12,488,084	16,055,331	(3,370,903)
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6) .....	12,488,084	16,055,331	(3,370,903)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	21,067,766	(677,181)	(97,024,438)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	184,519,385	281,543,823	281,543,823
19.2 End of period (Line 18 plus Line 19.1) .....	205,587,151	280,866,642	184,519,385

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

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## EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1		Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
	Total	2	3	Group							
Total Members at end of:											
1. Prior Year .....	403,278									403,278	
2. First Quarter .....	399,694									399,694	
3. Second Quarter .....	397,704									397,704	
4. Third Quarter .....											
5. Current Year .....											
6. Current Year Member Months .....	2,397,680									2,397,680	
Total Member Ambulatory Encounters for Period:											
7. Physician .....	2,348,216									2,348,216	
8. Non-Physician .....	204,193									204,193	
9. Total .....	2,552,409									2,552,409	
10. Hospital Patient Days Incurred .....	156,599									156,599	
11. Number of Inpatient Admissions .....	22,925									22,925	
12. Health Premiums Written (a) .....	841,451,259									841,451,259	
13. Life Premiums Direct .....											
14. Property/Casualty Premiums Written .....											
15. Health Premiums Earned .....	841,451,259									841,451,259	
16. Property/Casualty Premiums Earned .....											
17. Amount Paid for Provision of Health Care Services .....	704,700,135									704,700,135	
18. Amount Incurred for Provision of Health Care Services .....	685,465,914									685,465,914	

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

STATEMENT AS OF **June 30, 2012** OF THE **Volunteer State Health Plan, Inc.**  
**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
0199999 Individually Listed Claims Unpaid						
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered	28,247,556	815,393	58,242			29,121,191
0499999 Subtotals	28,247,556	815,393	58,242			29,121,191
0599999 Unreported claims and other claim reserves						112,243,816
0699999 Total Amounts Withheld						
0799999 Total Claims Unpaid						141,365,007
0899999 Accrued Medical Incentive Pool And Bonus Amounts						856,172

**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		Claims Incurred in Prior Years (Columns 1+3)	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	144,865,488	558,835,399	1,049,109	140,315,898	145,914,597	159,627,541
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)	144,865,488	558,835,399	1,049,109	140,315,898	145,914,597	159,627,541
10. Healthcare receivables (a)	201,116	775,826			201,116	
11. Other non-health						
12. Medical incentive pools and bonus amounts	855,420	143,828		856,172	855,420	850,917
13. Totals (Lines 9 - 10 + 11 + 12)	145,519,792	558,203,401	1,049,109	141,172,070	146,568,901	160,478,458

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



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# Notes to Financial Statement

## 1. Summary of Significant Accounting Policies

### A. Accounting Practices

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

The TDCI recognizes only statutory accounting practices prescribed and permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under 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 and permitted practices by the State of Tennessee. Prescribed accounting practices are those practices which are incorporated directly or by reference to state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled in Tennessee. Permitted accounting practices include deviations from NAIC Statutory Accounting Principles (SAP) specifically requested by an insurer and granted by the TDCI. These statements have no deviations from NAIC SAP other than as described in the following paragraphs.

The Company has accepted the risk for uninsured claims overpayments for which the Company determined the State was not responsible. At the direction of the TDCI, the Company records the uninsured claims overpayments as claims expense instead of reporting the net gain or loss on the general administrative expense line as required by NAIC SAP.

At the request of the TDCI, the Company does not report the receivables and associated payables related to premiums taxes for Administrative Services Only (ASO) business with the State of Tennessee. 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.

Tennessee Code Annotated § 56-32-112(a)(5)(D) allows the admission of the most current 90 days of health care receivables, which differs from the NAIC AP&P that requires non-admission of health care receivables related to claim overpayments.

At the request of the TDCI, the Company reports gross transactions with the affiliates listed on Schedule Y of the Annual Statement.

There are no differences between NAIC SAP and practices prescribed and permitted by the State of Tennessee with regards to the Company's net income or capital and surplus for the six months ended June 30, 2012 or December 31, 2011.

## 2. Accounting Changes and Corrections of Errors

During the second quarter of 2012, the Company revised its presentation of bonuses paid to providers from page 4, Line 9, Hospital/medical benefits, to Line 15, Incentive pool, withhold adjustments and bonus amounts. Prior year end and prior year to date reported balances for hospital and medical related claims expense in the amount of \$1,474,958 and \$474,958, respectively, have been reclassified to conform to the current year presentation.

## 5. Investments

During the six months ended June 30, 2012, the Company recognized \$121,510 of other-than-temporary impairments (OTTI) on bond 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 amount of OTTI recognized on loan-backed securities during the six months ended June 30, 2012, is as follows:

	<b>Amortized Cost Basis Before OTTI</b>	<b>OTTI Recognized in Loss</b>	<b>Fair Value</b>
OTTI recognized 1 <sup>st</sup> Quarter:			
Intent to Sell	\$ 1,447,092	\$ 19,201	\$ 1,427,891
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 1 <sup>st</sup> Quarter	<u>\$ 1,447,092</u>	<u>\$ 19,201</u>	<u>\$ 1,427,891</u>

**Notes to Financial Statement**

OTTI recognized 2 <sup>nd</sup> Quarter:			
Intent to Sell	\$ 2,779,372	\$ 44,865	\$ 2,734,507
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 2 <sup>nd</sup> Quarter	\$ 2,779,372	\$ 44,865	\$ 2,734,507
<b>Total</b>	<b>\$ 4,226,464</b>	<b>\$ 64,066</b>	<b>\$ 4,162,398</b>

(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.

(4) The aggregate amortized cost and fair value of loan-backed securities where fair value was less than amortized cost at June 30, 2012 and for which OTTI has not been recognized is as follows:

	<b>At a Loss Less Than 12 Months</b>	<b>At a Loss 12 Months Or Longer</b>	<b>Total</b>
Amortized Cost	\$ 5,236,396	\$ 903,760	\$ 6,140,156
Fair Value	5,212,824	896,841	6,109,665
Unrealized Loss	\$ 23,572	\$ 6,919	\$ 30,491

(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.

**10. Information Concerning Parent, Subsidiaries and Affiliates**

A. The Company is a subsidiary of Southern Diversified Business Services, Inc. (SDBS). BlueCross BlueShield of Tennessee, Inc. (BCBST) owns 100% of SDBS.

The members of BCBST's holding company group have not changed since December 31, 2011 (see Schedule Y on page Q15).

B&C. During the six months ended June 30, 2012, and the twelve months ended December 31, 2011, the Company paid BCBST \$62,512,655 and \$145,668,686, respectively, for services performed under administrative services and tax sharing agreements. Payments are net of reimbursements to the Parent for Cover Tennessee and other operations.

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

C. Wash Sales

During the six months ended June 30, 2012, the Company had no wash sales involving transactions for securities with an unrated NAIC designation or a designation of 3 or below (Statement of Statutory Accounting Principles (SSAP) No. 91, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*).

**18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

A. ASO Plans:

TennCare Select and the Stabilization Plan are 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 gain from operations from ASO plans and the uninsured portion of partially insured plans is as follows during 2012:

## Notes to Financial Statement

	(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	\$ 1,473,682	\$ 0	\$ 1,473,682
b. Total net other income (including interest paid to or received from plans)	0	0	0
c. Net gain from operations	\$ 1,473,682	\$ 0	\$ 1,473,682
d. Total claims payment volume	\$ 172,081,159	\$ 0	\$ 172,081,159

## 20. Fair Value Measurement

A&B. The Company holds only investment grade bonds in its investment portfolio, which are reported at amortized cost in accordance with SSAP No. 26, *Bonds, Excluding Loan-backed and Structured Securities*. The Company is not required to report any of its assets or liabilities at fair value under SSAP No. 100, *Fair Value Measurements*. At June 30, 2012, the average credit rating of the Company's 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 June 30, 2012.

C. The Company has categorized its assets required to be disclosed at fair value into the three level hierarchy based on the priority of the inputs to the respective valuation technique. The Company had no liabilities required to be disclosed at fair value as of June 30, 2012 and December 31, 2011. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Classification of the assets or liabilities within the fair value hierarchy is based on the lowest level of significant input to its valuation. The guidance defines the input levels as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2:** Quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be derived principally from, or corroborated with, observable market data for substantially the full term of the asset or liability.

**Level 3:** Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the asset or liability. Unobservable inputs reflect the reporting entity's own opinions about the assumptions market participants would use in pricing the asset or liability. Level 3 assets include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Transfers between levels, if any, are reflected as of the beginning of the reporting period of the transfer. There were no transfers between levels during the first half of 2012.

Fair values are based on quoted market prices when available. In instances where there is little or no market activity for the same or similar instruments, management estimates fair value using methods, models and assumptions a hypothetical market participant would use to determine a current transaction price. These valuation techniques involve estimation and judgment, which could become significant with increasingly complex instruments or pricing models. The degree of judgment utilized in measuring fair value generally correlates to the level of pricing observability. Pricing observability is generally impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and overall market conditions. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

Valuation techniques for estimating fair value are generally categorized into three types. The market approach uses prices and other relevant information from market transactions involving identical or comparable assets or liabilities. The income approach converts future amounts, such as cash flows or earnings, to a single present value. The cost approach is based on the amount that would be required to replace the asset or the service capacity of the asset. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is reasonably available. The Company applied valuation techniques on a consistent basis to similar assets and liabilities at June 30, 2012 and December 31, 2011.

## Notes to Financial Statement

The following tables provide information about the fair value of the Company's financial assets for the period ended June 30, 2012 and December 31, 2011:

	<b>June 30, 2012</b>				
	<b>Aggregate Fair Value</b>	<b>Admitted Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Bonds issued by U.S. government and government agencies and authorities	\$ 57,716,456	\$ 57,461,831	\$16,858,628	\$ 40,857,828	\$ 0
Bonds issued by foreign governments	6,647,637	6,630,529	0	6,647,637	0
Agency mortgage-backed securities	18,112,454	17,806,889	0	18,112,454	0
Commercial and non-agency mortgage-backed securities	6,328,034	6,212,328	0	6,328,034	0
Asset-backed securities	21,892,374	21,820,684	0	21,892,374	0
Investment grade corporate bonds	88,516,655	87,547,435	0	88,516,655	0
<b>Total assets at fair value</b>	<b>\$199,213,610</b>	<b>\$197,479,696</b>	<b>\$16,858,628</b>	<b>\$182,354,982</b>	<b>\$ 0</b>

	<b>December 31, 2011</b>				
	<b>Aggregate Fair Value</b>	<b>Admitted Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Bonds issued by U.S. government and government agencies and authorities	\$ 64,650,761	\$ 64,413,653	\$19,794,669	\$ 44,856,092	\$ 0
Bonds issued by foreign governments	5,262,762	5,293,910	0	5,262,762	0
Agency mortgage-backed securities	12,389,334	12,144,622	0	12,389,334	0
Commercial and non-agency mortgage-backed securities	6,496,177	6,426,727	0	6,496,177	0
Asset-backed securities	23,269,438	23,240,778	0	23,269,438	0
Investment grade corporate bonds	73,811,059	73,468,696	0	73,811,059	0
<b>Total assets at fair value</b>	<b>\$185,879,531</b>	<b>\$184,988,386</b>	<b>\$19,794,669</b>	<b>\$166,084,862</b>	<b>\$ 0</b>

***Level 1 Financial Assets – \$16,858,628 and \$19,794,669 at June 30, 2012 and December 31, 2011, respectively***

Level 1 financial assets include certain actively traded short-term investments and bonds. Unadjusted quoted prices for these securities are provided to the Company by independent pricing services.

***Level 2 Financial Assets – \$182,354,982 and \$166,084,862 at June 30, 2012 and December 31, 2011, respectively***

Level 2 financial assets include certain bonds. Fair values of the bonds reported in this category are provided by independent pricing services. 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 securities in the portfolio with the Company's investment managers and investment consultant. If unusual fluctuations in pricing or significant variances in pricing from different sources are noted during these reviews, 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. There were no adjustments to quoted market prices obtained from third party pricing services during the periods ended June 30, 2012 and December 31, 2011.

At June 30, 2012, the Company held commercial mortgage-backed securities with a fair value of \$6,328,034 and an average credit rating of AAA and asset-backed securities with a fair value of \$21,892,374 and an average credit rating of AAA.

The portfolio of investment grade commercial mortgaged-backed securities had the following characteristics at June 30, 2012:

- Approximately 29% of the underlying assets were guaranteed or had other credit enhancements and all of the securities were senior-level priority tranches.
- The weighted average maturity of the underlying loans was approximately 2.4 years and the weighted average duration of the securities was approximately 1.9 years.
- The underlying loans were geographically diversified.

## Notes to Financial Statement

The portfolio of investment grade asset-backed securities had the following characteristics at June 30, 2012:

- Approximately 23% of the underlying assets were guaranteed or had other credit enhancements.
- The weighted average stated maturity of the underlying loans was approximately 4.6 years and the weighted average duration of the securities was approximately 1.3 years.
- The absolute prepayment speed applied to approximately 60% of the asset-backed securities in the portfolio. The estimated weighted average absolute prepayment speed of these securities was approximately 1.3%.

### *Level 3 Financial Assets*

The Company held no Level 3 financial assets at June 30, 2012 or December 31, 2011.

- D. The Company held no financial assets for which it was not practicable to estimate the fair value at June 30, 2012 or December 31, 2011.

## 21. Other Items

### C. Other Disclosures

- 1) As of June 30, 2012, assets in the amount of \$35,136,700 were on deposit with government authorities or trustees. This amount exceeds the deposit amount required by the State of Tennessee of \$34,850,000.
- 2) Expenses are shown on the Statement of Revenue and Expenses net of administrative fees from ASO contracts. The following provides a comparison of expenses excluding ASO administrative fees and premium tax for the six months ended June 30, 2012 and 2011:

<u>Line#</u>	<u>Administrative Expenses:</u>	<u>Six Months Ended June 30, 2012</u>	<u>Six Months Ended June 30, 2011</u>	<u>% Change</u>
20	Claims adjustment expense	\$ 48,491,226	\$ 60,521,905	
21	General administrative expense	74,943,626	68,084,253	
	Total expense	123,434,852	128,606,158	
	Exclude: ASO administrative fees	26,232,307	22,363,950	
	Exclude: Premium tax	(57,188,937)	(56,730,385)	
	Expenses before ASO admin fees and excluding premium tax	<u>\$ 92,478,222</u>	<u>\$ 94,239,723</u>	(1.9%)

## 25. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2011, a reserve for unpaid insured claims and claim adjustment expenses, net of gross health care receivables, amounted to \$168,492,880. Through June 30, 2012, \$152,787,166 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 2011 and prior based on the latest information known regarding individual claims, as well as the ongoing analysis of recent loss development trends, resulted in a favorable prior year development of \$13,909,557. The reserve related to prior years is \$1,796,157 as of June 30, 2012.

### Other Notes

There have been no significant changes during the first six months of 2012 in notes not presented herein.

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# 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: ..... 05/01/2012 .....
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes[ ] No[X]  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes[ ] No[ ] N/A[X]  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ..... 12/31/2011 .....
- 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 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 FDIC	6 SEC
.....	.....	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[X] No[ ]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).  
The VSHP Code of Business Conduct (Code) is applicable to all employees, officers, contractors, and members of the Board of Directors. According to the Code of Conduct Annual Review Policy, it is the responsibility of the Corporate Compliance Department to perform an annual review and revision of the Code in order to maintain a current, accurate, and applicable Code for VSHP and its subsidiaries. This review and revision process was completed in conjunction with the BCBST Code review and revision process during the fourth quarter of 2011. However, the VSHP Board did not meet and approve the revised VSHP Code for use until May 1, 2012. The only changes made to the Code was placing the information into a new format for presentation purposes and revising its readability from a college level to a high school level with a softer tone and more inclusive effect for the reader. The primary content and standards of the Code were unchanged.
- 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



## GENERAL INTERROGATORIES (Continued)

### INVESTMENT

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]

14.2 If yes, please complete the following:

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

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]  
 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
 If no, attach a description with this statement. Yes [ ] No [ ] N/A [X]

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian Address
Bank of New York 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 [X]

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address
Exempt .....	BlackRock Financial Management .....	40 East 52nd Street, New York, NY 10022 .....
4161 .....	Morgan Keegan .....	50 Front Street, Memphis, TN 38103 .....
113972 .....	Standish Asset Management BNY Mellon Center .....	201 Washington Street, 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 [X] No [ ]

17.2 If no, list exceptions:

## GENERAL INTERROGATORIES

### PART 2 - HEALTH

1. Operating Percentages:	
1.1 A&H loss percent	..... 84.700%
1.2 A&H cost containment percent	..... 3.200%
1.3 A&H expense percent excluding cost containment expenses	..... 11.400%
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

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**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)
			<b>NONE</b>			

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

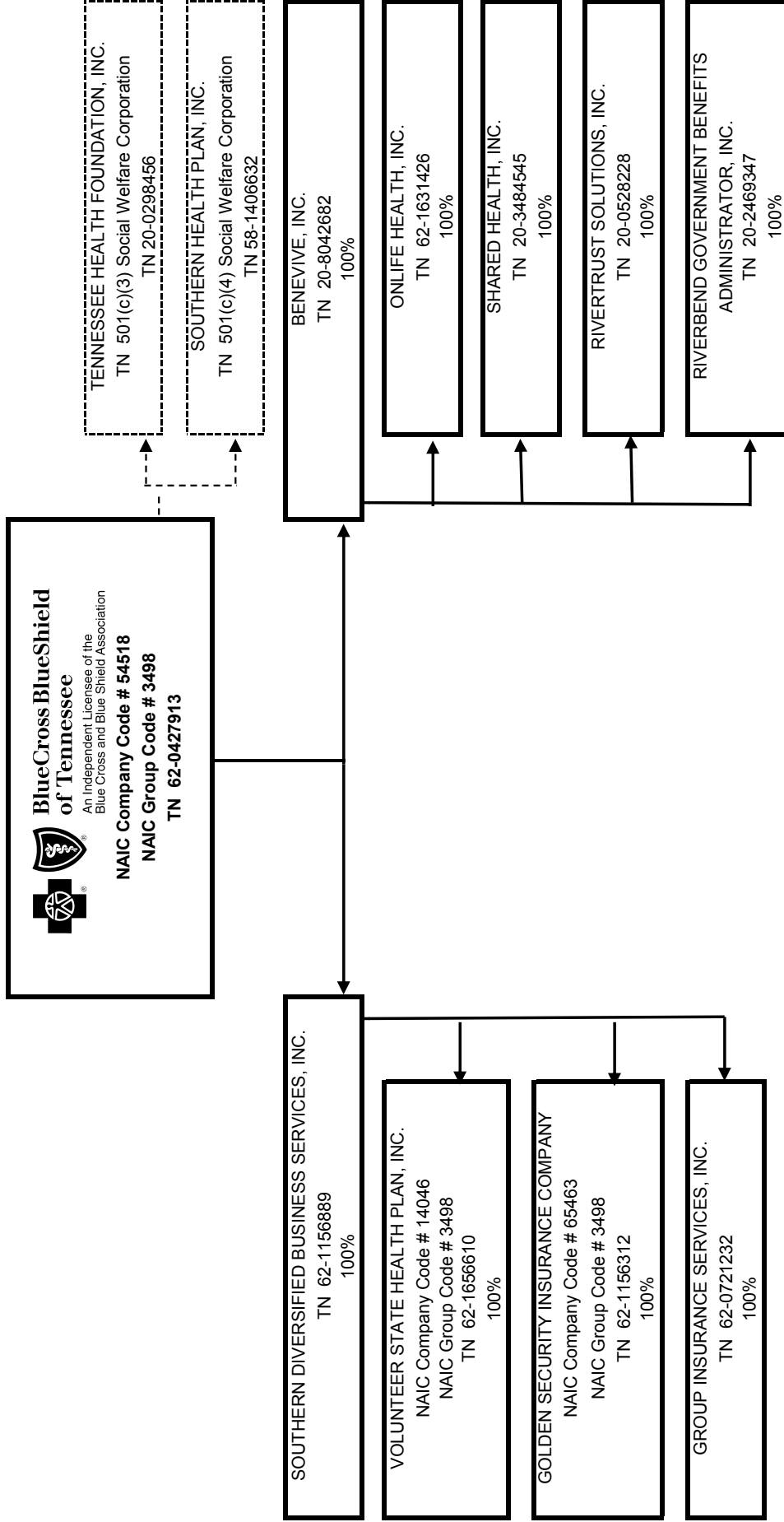
## Current Year to Date - Allocated by States and Territories

1.	State, Etc.	1 Active Status	Direct Business Only							
			2 Accident and Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life and Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
2.	Alabama (AL)	N								
3.	Alaska (AK)	N								
4.	Arizona (AZ)	N								
5.	Arkansas (AR)	N								
6.	California (CA)	N								
7.	Colorado (CO)	N								
8.	Connecticut (CT)	N								
9.	Delaware (DE)	N								
10.	District of Columbia (DC)	N								
11.	Florida (FL)	N								
12.	Georgia (GA)	N								
13.	Hawaii (HI)	N								
14.	Idaho (ID)	N								
15.	Illinois (IL)	N								
16.	Indiana (IN)	N								
17.	Iowa (IA)	N								
18.	Kansas (KS)	N								
19.	Kentucky (KY)	N								
20.	Louisiana (LA)	N								
21.	Maine (ME)	N								
22.	Maryland (MD)	N								
23.	Massachusetts (MA)	N								
24.	Michigan (MI)	N								
25.	Minnesota (MN)	N								
26.	Mississippi (MS)	N								
27.	Missouri (MO)	N								
28.	Montana (MT)	N								
29.	Nebraska (NE)	N								
30.	Nevada (NV)	N								
31.	New Hampshire (NH)	N								
32.	New Jersey (NJ)	N								
33.	New Mexico (NM)	N								
34.	New York (NY)	N								
35.	North Carolina (NC)	N								
36.	North Dakota (ND)	N								
37.	Ohio (OH)	N								
38.	Oklahoma (OK)	N								
39.	Oregon (OR)	N								
40.	Pennsylvania (PA)	N								
41.	Rhode Island (RI)	N								
42.	South Carolina (SC)	N								
43.	South Dakota (SD)	N								
44.	Tennessee (TN)	L			841,451,259				841,451,259	
45.	Texas (TX)	N								
46.	Utah (UT)	N								
47.	Vermont (VT)	N								
48.	Virginia (VA)	N								
49.	Washington (WA)	N								
50.	West Virginia (WV)	N								
51.	Wisconsin (WI)	N								
52.	Wyoming (WY)	N								
53.	American Samoa (AS)	N								
54.	Guam (GU)	N								
55.	Puerto Rico (PR)	N								
56.	U.S. Virgin Islands (VI)	N								
57.	Northern Mariana Islands (MP)	N								
58.	Canada (CN)	N								
59.	Aggregate other alien (OT)	XXX								
60.	Subtotal	XXX			841,451,259				841,451,259	
61.	Reporting entity contributions for Employee Benefit Plans	XXX								
61.	<b>Total (Direct Business)</b>	<b>(a) 1</b>			<b>841,451,259</b>				<b>841,451,259</b>	
<b>DETAILS OF WRITE-INS</b>										
5801.		XXX								
5802.		XXX								
5803.		XXX								
5898.	Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899.	<b>TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)</b>	<b>XXX</b>								

(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**



## SCHEDULE Y

### PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	Federal ID Number	FEDERAL RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Name of Parent Subsidiaries or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies) / Person(s)	*
3498	BlueCross BlueShield of Tennessee	54518	62-0427913				BlueCross BlueShield of Tennessee, Inc.	TN	UIP	Southern Diversified Business Services, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	
3498	BlueCross BlueShield of Tennessee	14046	62-1656610				Volunteer State Health Plan, Inc.	TN		BlueCross BlueShield of Tennessee, Inc.	Board of Directors		BlueCross BlueShield of Tennessee, Inc.	1
		00000	20-0298456				Tennessee Health Foundation, Inc.	TN	OTH	BlueCross BlueShield of Tennessee, Inc.	Board of Directors		BlueCross BlueShield of Tennessee, Inc.	2
		00000	58-1406632				Southern Health Plan	TN	OTH	Tennessee, Inc.	Board of Directors		BlueCross BlueShield of Tennessee, Inc.	
		00000	62-1156889				Southern Diversified Business Services, Inc.	TN	UDP	BlueCross BlueShield of Tennessee, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	
		00000	62-0721232				Group Insurance Services	TN	IA	Southern Diversified Business Services, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	
3498	BlueCross BlueShield of Tennessee	65463	62-1156312				Golden Security Insurance Company	TN	IA	Southern Diversified Business Services, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	
		00000	20-8042682				BeneVive, Inc.	TN	NIA	BlueCross BlueShield of Tennessee, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	
		00000	20-3484545				Shared Health, Inc.	TN	NIA	BeneVive, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	
		00000	20-0528228				RiverTrust Solutions, Inc.	TN	NIA	BeneVive, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	
		00000	20-2469347				Riverbend Government Benefits Administrator, Inc.	TN	NIA	BeneVive, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	
		00000	62-1631426				Onlife Health, Inc.	TN	NIA	BeneVive, Inc.	Ownership	100.0	BlueCross BlueShield of Tennessee, Inc.	

Asterisk

Explanation

0000001 BlueCross BlueShield of Tennessee, Inc. appoints the Board of Tennessee Health Foundation, Inc.

0000002 BlueCross BlueShield of Tennessee, Inc. appoints the Board of Southern Health Plan, Inc. doing business as BlueCross BlueShield of Tennessee Community Trust

## 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



14046201236500002

2012

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. Liquidated Damages Accrual .....	11,000		11,000	29,700
2305. Due State of Tennessee .....	307		307	3,473
2306. ....				
2397. Summary of remaining write-ins for Line 23 (Lines 2304 through 2396) .....	11,307		11,307	33,173

**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) .....			

**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 .....	184,988,386	160,847,485
2. Cost of bonds and stocks acquired .....	72,866,666	195,561,830
3. Accrual of discount .....	17,752	59,130
4. Unrealized valuation increase (decrease) .....	40,363	(12,684)
5. Total gain (loss) on disposals .....	150,653	605,250
6. Deduct consideration for bonds and stocks disposed of .....	59,306,740	169,827,029
7. Deduct amortization of premium .....	1,155,874	2,225,633
8. Total foreign exchange change in book/adjusted carrying value .....		
9. Deduct current year's other than temporary impairment recognized .....	121,510	19,963
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9) .....	197,479,696	184,988,386
11. Deduct total nonadmitted amounts .....		
12. Statement value at end of current period (Line 10 minus Line 11) .....	197,479,696	184,988,386

## SCHEDULE D - PART 1B

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

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a)	347,141,124	1,567,634,892	1,507,393,152	(711,231)	347,141,124	406,671,633		306,705,800
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	347,141,124	1,567,634,892	1,507,393,152	(711,231)	347,141,124	406,671,633		306,705,800
<b>PREFERRED STOCK</b>								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	347,141,124	1,567,634,892	1,507,393,152	(711,231)	347,141,124	406,671,633		306,705,800

(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 \$.....117,534,911; 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 .....	164,772,282	X X X	164,842,488	94,722	8,309

**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 .....	86,557,761	277,567,425
2. Cost of short-term investments acquired .....	906,751,986	1,837,898,507
3. Accrual of discount .....		
4. Unrealized valuation increase (decrease) .....		
5. Total gain (loss) on disposals .....	(41)	
6. Deduct consideration received on disposals .....	828,485,419	2,028,889,700
7. Deduct amortization of premium .....	52,005	18,471
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) .....	164,772,282	86,557,761
11. Deduct total nonadmitted amounts .....		
12. Statement value at end of current period (Line 10 minus Line 11) .....	164,772,282	86,557,761

## 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 .....	
6.	Amortization .....	
7.	Adjustment to the Book/Adjusted Carrying Value of hedged item .....	
8.	Total foreign exchange change in Book/Adjusted Carrying value .....	
9.	Book/Adjusted Carrying Value at End of Current Period (Lines 1 + 2 + 3 + 4 - 5 + 6 + 7 + 8) .....	
10.	Deduct nonadmitted assets .....	
11.	Statement value at end of current period (Line 9 minus Line 10) .....	

NONE

## SCHEDULE DB - PART B - VERIFICATION

### Futures Contracts

1.	Book/Adjusted Carrying Value, December 31 of prior year .....				
2.	Net Cash Deposits (Section 1, Broker Name/Net Cash Deposits Footnote) .....				
3.1	Change in variation margin on open contracts .....				
3.2	Add:				
	Change in adjustment to basis of hedged item				
	3.21 Section 1, Column 17, current year to date minus .....				
	3.22 Section 1, Column 17, prior year .....				
	Change in amount recognized				
	3.23 Section 1, Column 16, current year to date 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 .....				
4.2	Less:				
	4.21 Amount used to adjust basis of hedged item .....				
	4.22 Amount recognized .....				
4.3	Subtotal (Line 4.1 minus Line 4.2) .....				
5.	Dispositions gains (losses) on contracts terminated in prior year:				
	5.1 Recognized .....				
	5.2 Used to adjust basis of hedged items .....				
6.	Book/Adjusted Carrying Value at end of current period (Lines 1 + 2 + 3.3 - 4.3 - 5.1 - 5.2) .....				
7.	Deduct total nonadmitted amounts .....				
8.	Statement value at end of current period (Line 6 minus Line 7) .....				

NONE

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

1	Replication (Synthetic Asset) Transactions							Components of the Replication (Synthetic Asset) Transactions							
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Number	Description	NAIC Designation or Other Description	Notional Amount	Book/Adjusted Carrying Value	Fair Value	Effective Date	Maturity Date	Description	Book/Adjusted Carrying Value	Fair Value	CUSIP	Description	NAIC Designation or Other Description	Book/Adjusted Carrying Value	Fair Value
						<b>NONE</b>									
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 D, 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 .....	35,159,655	.....
2.	Cost of cash equivalents acquired .....	1,524,276,106	73,186,787
3.	Accrual of discount .....	.....	.....
4.	Unrealized valuation increase (decrease) .....	.....	.....
5.	Total gain (loss) on disposals .....	.....	.....
6.	Deduct consideration received on disposals .....	1,515,016,106	38,027,132
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) .....	44,419,655	35,159,655
11.	Deduct total nonadmitted amounts .....	.....	.....
12.	Statement value at end of current period (Line 10 minus Line 11) .....	44,419,655	35,159,655

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

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

**SCHEDULE A - PART 3**  
**Showing All Real Estate DISPOSED During the Final Year on "Sales Under Contract"**

1 Description of Property	Location			4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Expended for Additions, Permanent Improvements and Changes in Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances Prior Year	9 Current Year's Depreciation	10 Current Year's Other Than Temporary Impairment Recognized	11 Current Year's Change in Encumbrances	12 Total Change in B/A C.V. (11 - 9 - 10)	13 Total Foreign Exchange Change in B/A C.V.	14 Book/Adjusted Carrying Value Less Encumbrances on Disposal	15 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																		
<b>NONE</b>																				
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						
<b>NONE</b>								
3399999 Total Mortgages (sum of Lines 0899999, 1699999, 2499999 and 3299999) .....								

**SCHEDULE B - PART 3**  
**Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter**

1 Loan Number	2 Location		4 Loan Type	5 Date Acquired	6 Disposal Date	7 Book Value/Recorded Investment Excluding Accrued Interest Prior Year	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)	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															
<b>NONE</b>																	
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	Location		3	4 City	5 State	6 Name of Vendor or General Partner	7 NAIC Designation	8 Date Originally Acquired	9 Type and Strategy	10 Actual Cost at Time of Acquisition	11 Additional Investment Made After Acquisition	12 Amount of Encumbrances	13 Commitment for Additional Investment	14 Percentage of Ownership
<b>NONE</b>															
4199999 TOTALS ..... XXX .....															

## SCHEDULE BA - PART 3

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

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

**SCHEDULE D - PART 3**  
Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
<b>Bonds - U.S. Governments</b>									
912828WH0	U S TREASURY NOTE		04/03/2012	Nomura Secs NY	X X X	2,022,360	1,930,000.00	7,635	1
912828PS3	U S TREASURY NOTE		05/04/2012	RBS SECURITIES INC, GREEN	X X X	1,579,868	1,500,000.00	8,077	1
912828RV4	U S TREASURY NOTE		06/28/2012	Goldman Sachs NY	X X X	1,495,962	1,500,000.00	184	1
912828SZ4	U S TREASURY NOTE		06/14/2012	Jefferies & Co	X X X	1,353,893	1,355,000.00		1
912828NP1	UNITED STATES TREASURY NOTE		05/16/2012	JPMorgan Securities Inc,	X X X	2,083,132	2,000,000.00	10,385	1
912828SE1	UNITED STATES TREASURY NOTE		06/13/2012	JPMorgan Securities Inc,	X X X	1,793,256	1,800,000.00	1,484	1
0599999	Subtotal - Bonds - U.S. Governments				X X X	10,328,471	10,085,000.00	27,765	X X X
<b>Bonds - U.S. Special Revenue, Special Assessment</b>									
313373JR4	FEDERAL HOME LN BK CONS BD		06/14/2012	Morgan Stanley	X X X	4,383,506	4,300,000.00	2,792	1
3137A3PN3	FHLMC MULTICLASS MTG 3762 GM		04/18/2012	Credit Suisse	X X X	1,085,096	1,038,369.08	2,221	1
3138EGSH8	FNMA POOL #0AL0519		06/06/2012	Credit Suisse	X X X	946,310	875,200.28	1,653	1
3199999	Subtotal - Bonds - U.S. Special Revenue, Special Assessment				X X X	6,414,912	6,213,569.36	6,666	X X X
<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>									
0258M0DE6	AMERICAN EXPRESS CREDIT CORP		06/07/2012	UBS Secs	X X X	499,900	500,000.00		1FE
00206RAV4	AT & T INC		06/06/2012	Wells Fargo Securities LL	X X X	1,215,718	1,166,000.00	9,393	1FE
254683AV7	DISCOVER CARD MASTER TR A3 A		06/09/2012	Barclays Cap	X X X	889,912	890,000.00		1FE
36159JBM2	GEMNT 2009-2 A		04/24/2012	Nomura Secs NY	X X X	493,484	490,000.00	603	1FE
36950AS7	GENERAL DYNAMICS CORP		05/22/2012	Keybank Capital Mkts	X X X	761,813	750,000.00	3,724	1FE
36962GSX8	GENERAL ELEC CAP CORP		04/24/2012	Citibank NY	X X X	1,100,000	1,100,000.00		1FE
43813EAB2	GLAXOSMITHKLINE CAPITAL PLC		05/23/2012	VSHP - Pledged Assets	X X X	1,003,800	1,000,000.00	833	1FE
43813EAD8	HONDA AUTO RECEIVABLES 2 A2		04/18/2012	Credit Suisse	X X X	999,996	1,000,000.00		1FE
46625HJ49	HONDA AUTO RECEIVABLES OW 2 A4		04/18/2012	Credit Suisse	X X X	1,299,751	1,300,000.00		1FE
59217EBW3	JPMORGAN CHASE & CO		04/01/2012	JPMorgan Securities Inc,	X X X	2,285,800	2,200,000.00	16,748	1FE
617451CL1	METROPOLITAN LIFE GLOBAL FUNDI		05/01/2012	FTN Financial Secs	X X X	1,732,752	1,600,000.00	32,800	1FE
828807CC9	MORGAN STANLEY CAPITAL HQ7 A4		05/15/2012	Morgan Stanley	X X X	555,605	500,000.00	1,228	1FE
913017BX6	SIMON PROPERTY GROUP LP		04/04/2012	Merrill Lynch	X X X	639,216	600,000.00	4,830	1FE
91159HGX2	UNITED TECHNOLOGIES CORP		05/24/2012	JPMorgan Securities Inc,	X X X	445,000	445,000.00		1FE
91159HD5	US BANCORP		05/04/2012	Keybank Capital Mkts	X X X	1,262,683	1,210,000.00	8,399	1FE
92857WAX8	US BANCORP		05/03/2012	U S Bancorp	X X X	349,346	350,000.00		1FE
136069DP3	VODAFONE GROUP PLC		04/01/2012	U S BANK NA	X X X	1,986,140	2,000,000.00	1,083	1FE
3899999	Subtotal - Industrial and Miscellaneous (Unaffiliated)	R	04/12/2012	Merrill Lynch	X X X	2,023,300	2,000,000.00	2,739	1FE
8399997	Subtotal - Bonds - Part 3				X X X	19,544,216	19,101,000.00	82,380	X X X
8399998	Summary Item from Part 5 for Bonds (N/A to Quarterly)				X X X	36,287,599	35,399,569.36	116,811	X X X
8399999	Subtotal - Bonds				X X X	X X X	X X X	X X X	X X X
8999998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				X X X	36,287,599	35,399,569.36	116,811	X X X
9799998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X
9899999	Subtotal - Preferred and Common Stocks				X X X	X X X	X X X	X X X	X X X
9999999	Total - Bonds, Preferred and Common Stocks				X X X	36,287,599	X X X	116,811	X X X

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

**SCHEDULE D - PART 4**

**Show All Long-Term Bonds and Stocks Sold, Redeemed or Otherwise Disposed of**

**During the Current Quarter**

1	2	3	4	5	6	7	8	9	10	11			12	13	14		15	16	17	18	19	20	21	22
										Unrealized	Current Years	Current Year's			Total	Total Foreign								
Identification	Description	F o r e i g n	Disposal	Name of	Number	Consideration	Par	Actual	Prior Year	Unrealized	Amortization/	Other Than	Change in	Change in	Adjusted	Gain (Loss)	Gain (Loss)	Received	Maturity	Designation			Indicator (e)	
			Date	Purchaser	of Stock		Value	Cost	Book/	Increase/	(Amortization/)	Temporary	B./A.C.V.	B./A.C.V.	Carrying Value	on Disposal	on Disposal	During Year	Date	or Market				
									Value	(Decrease)	Accretion	Impairment	(11 + 12 - 13)	B./A.C.V.	at Disposal	on Disposal	on Disposal	Year	Date	Indicator				
<b>Bonds - U.S. Governments</b>																								
36211V6Q8	GNMA POOL #0524779		06/15/2012	PRINCIPAL RECEIPT	XXX	1,735	1,734.79	1,812	1,802		(68)		(68)	1,735				36	01/15/2024					
36235P4L3	GNMA POOL #0676827	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	22,620	22,620.00	23,634	23,624		(1,004)		(1,004)	22,620			466	05/15/2023						
36236E5H6	GNMA POOL #0689448	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	2,711	2,711.34	2,831	2,816		(105)		(105)	2,711			56	07/15/2023						
36297A3K7	GNMA POOL #0706502	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	1,608	1,608.00	1,679	1,671		(63)		(63)	1,608			34	01/15/2024						
36297BAP3	GNMA POOL #0707430	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	4,883	4,882.52	5,088	5,073		(190)		(190)	4,883			101	01/15/2024						
36297CVT3	GNMA POOL #0708126	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	2,466	2,465.86	2,578	2,564		(99)		(99)	2,466			51	01/15/2024						
3837A16Y7	GNMA GTD REMIC PIT 04-103 CD	XXX	06/18/2012	PRINCIPAL RECEIPT	XXX	11,656	11,656.20	12,228	12,210		(554)		(554)	11,656			237	12/16/2031						
36225EVZ2	GNMA IPOOL #0082431	XXX	06/20/2012	PRINCIPAL RECEIPT	XXX	62,071	62,071.27	63,002	62,967		(896)		(896)	62,071			763	12/20/2038						
36210B4R3	GNMA POOL #0487329	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	2,796	2,796.27	2,894	2,889		(93)		(93)	2,796			53	04/15/2024						
38374C3K5	GNMA REMIC-PIT 03-36 CL VB	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	5,650	5,650.13	5,904	5,875		(225)		(225)	5,650			129	07/15/2024						
912828KFB	U.S. TREASURY NOTE	XXX	06/20/2012	PRINCIPAL RECEIPT	XXX	201,487	201,486.85	213,434	212,526		(11,039)		(11,039)	201,487		1,056	3,617	07/20/2024						
912828KFG	U.S. TREASURY NOTE	XXX	05/04/2012	Goldman Sachs NY	XXX	1,029,411	1,029,411.00	1,031,800			(3,446)		(3,446)	1,029,411		1,056	12,840	02/28/2014						
912828KGT	U.S. TREASURY NOTE	XXX	06/14/2012	Goldman Sachs NY	XXX	3,944,479	3,944,000.00	3,931,457	3,933,051		2,675		2,675	3,933,051		8,753	7,247	09/15/2014						
912828SB7	U.S. TREASURY NOTE	XXX	04/03/2012	Goldman Sachs NY	XXX	1,132,868	1,135,000.00	1,133,940			(15,057)		(15,057)	1,133,940		8,687	26,129	01/31/2014						
0599999	Subtotal - Bonds - U.S. Governments	XXX			XXX	6,426,441	6,404,683.33	6,432,291	6,267,068					6,417,753		8,687							XXX	
<b>Bonds - U.S. Special Revenue, Special Assessment</b>																								
31337A761	FEDERAL HOME LN BK CONS BD	XXX	04/03/2012	Barclays Cap	XXX	1,683,375	1,680,000.00	1,685,316	1,684,547		(694)		(694)	1,683,375		(477)	5,040	08/28/2013						
31342A5L9	FHLMC POOL #78-0851	XXX	06/01/2012	PRINCIPAL RECEIPT	XXX	4,958	4,958.24	5,119	5,112		(154)		(154)	4,958			44	09/01/2033						
3128CUTB2	FHLMC POOL #93-0546	XXX	06/01/2012	PRINCIPAL RECEIPT	XXX	69,951	69,951.25	77,679	77,465		(7,514)		(7,514)	69,951			1,510	03/01/2026						
3128PVB58	FHLMC POOL #41-5449	XXX	06/01/2012	PRINCIPAL RECEIPT	XXX	122,354	122,354.48	127,348	127,208		(4,854)		(4,854)	122,354			1,627	05/01/2026						
31394YB63	FHLMC MULTICLASS CTFS 2802 VE	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	13,111	13,111.05	13,935	13,628		(517)		(517)	13,111			301	04/15/2015						
31396LXB2	FHLMC MULTICLASS CTFS 2916 VG	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	313,143	313,142.99	318,852	318,852		(5,709)		(5,709)	313,143			6,451	07/15/2030						
31396RDM4	FHLMC MULTICLASS CTFS 2916 VG	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	37,249	37,249.35	39,147	38,713		(1,464)		(1,464)	37,249			697	07/15/2030						
31333JPM4	FHLMC MULTICLASS MTG 2557 WD	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	67,865	67,865.29	70,919	69,300		(1,435)		(1,435)	67,865			1,410	08/15/2016						
31394NAB4	FHLMC MULTICLASS MTG 2723 EA	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	55,526	55,526.24	56,399	56,399		(673)		(673)	55,526			1,149	07/15/2018						
31397C9B9	FHLMC MULTICLASS MTG 3253 A	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	38,658	38,657.94	40,808	40,808		(1,713)		(1,713)	38,658			800	08/15/2020						
3137A3FN3	FHLMC MULTICLASS MTG 3688 CA	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	110,909	110,909.44	114,479	110,909		(3,570)		(3,570)	110,909			599	04/15/2028						
3137A3PN3	FHLMC MULTICLASS MTG 3762 GM	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	57,548	57,548.10	60,138	60,138		(2,590)		(2,590)	57,548			246	08/15/2028						
3134ZAEZ2	FHLMC POOL #78-0741	XXX	06/01/2012	PRINCIPAL RECEIPT	XXX	27,886	27,885.80	28,770	28,770		(641)		(641)	27,886			234	07/01/2033						
31395LAD3	FHLMC REMIC SERIES 2924	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	39,298	39,297.72	41,140	40,892		(1,594)		(1,594)	39,298			731	07/15/2019						
31402C5E8	FNMA POOL #0725445	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	34,011	34,010.92	35,908	35,593		(1,582)		(1,582)	34,011			602	05/01/2019						
31403CVI7	FNMA POOL #0735374	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	88,024	88,023.89	94,045	94,045		(6,021)		(6,021)	88,024			1,585	04/01/2020						
31404PSJ1	FNMA POOL #0745917	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	66,762	66,762.39	70,486	69,958		(3,196)		(3,196)	66,762			1,184	07/01/2020						
31404MTV8	FNMA POOL #0746959	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	52,670	52,670.11	55,608	55,117		(2,447)		(2,447)	52,670			1,005	04/01/2019						
31410K6V9	FNMA POOL #0801885	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	39,834	39,833.66	43,056	41,689		(1,855)		(1,855)	39,834			737	05/01/2019						
31410K6V5	FNMA POOL #0890187	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	36,637	36,637.27	38,801	38,535		(1,898)		(1,898)	36,637			714	10/01/2021						
31416B4M7	FNMA POOL #0995528	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	34,818	34,818.75	36,801	36,535		(1,745)		(1,745)	34,818			648	12/01/2020						
31416B4M7	FNMA POOL #0995528	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	22,344	22,344.30	23,153	23,153		(808)		(808)	22,344			445	12/01/2021						
31418MA47	FNMA POOL #0A0D837	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	18,626	18,626.04	19,423	19,380		(753)		(753)	18,626			402	12/01/2021						
31394CPN6	FNMA GTD REMIC PIT 05-10 AJ	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	61,161	61,161.22	64,559	61,161		(3,043)		(3,043)	61,161			1,099	03/01/2023						
31397NQ06	FNMA GTD REMIC PIT 09-43 GJ	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	24,950	24,950.29	25,273	25,273		(671)		(671)	24,950			535	01/25/2023						
31396Q2W2	FNMA GTD REMIC PIT 09-70 NT	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	37,935	37,934.57	39,499	38,606		(1,161)		(1,161)	37,935			601	06/25/2024						
31416B4R5	FNMA POOL #0995185	XXX	06/25/2012	PRINCIPAL RECEIPT	XXX	44,881	44,881.14	46,651	46,043		(1,629)		(1,629)	44,881			783	08/25/2019						
784422AA5	SIC STUDENT LN 07 2 CL A-1	XXX	05/15/2012	PRINCIPAL RECEIPT	XXX	39,813	39,813.11	41,663	41,443		51		51	39,813			38	05/15/2018						
83149EAC1	SIM STUDENT LN 06 5 CL A3	XXX	04/25/2012	PRINCIPAL RECEIPT	XXX	53,699	53,698.64	51,844	53,430		269		269	53,699			142	10/25/2019						
78442GHP4	SIM STUDENT LN TR 03-8 CL A-4	XXX	06/15/2012	PRINCIPAL RECEIPT	XXX	8,478	8,477.69	9,165	8,205		273		273	8,478			31	03/15/2019						
78442GMW9	SIMIA 2004-7 AS	XXX	04/25/2012	PRINCIPAL RECEIPT	XXX	62,458	62,457.66	61,872	62,022		435		435	62,458			209	01/27/2020						
3199999	Subtotal - U.S. Special Revenue, Special Assessment	XXX			XXX	3,377,908	3,374,534.46	3,444,781	3,263,396		(59,626)		(59,626)	3,376,386		(477)	32,305						XXX	
<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>																								
00182EAN9	ALLY NATIONAL AND MISCELLANEOUS 144A	XXX	06																					

## SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	11			12	13	14		15	16	17	18	19	20	21	22
										CUSIP Identification	Description	Disposal Date			Name of Purchaser	Number of Shares of Stock								
		F																						
27058DF6	EATON CORP NT	04/10/2012	Donaldson Lufkin	XXX	78,413	75,000.00	81,334	78,646	(725)	(725)		(725)			77,921		492	(685)	1,511	05/15/2013	IFE			
34529EAC4	FORDO 2009-B A3	06/01/2012	VARIOUS	XXX	85,587	85,587.15	86,189	86,248			24	24			86,272		(685)	975	08/15/2013	IFE				
34529GAF2	FORDO 2009-D A3	06/15/2012	PRINCIPAL RECEIPT	XXX	205,106	205,106.15	206,452	206,497	(1,391)	(1,391)		(1,391)			205,106		1,845	1,845	10/15/2013	IFE				
368550AK4	GENERAL DYNAMICS CORP	05/22/2012	Wells Fargo Sees	XXX	642,630	620,000.00	657,987	650,015	(8,540)	(8,540)		(8,540)			641,476		1,154	13,907	05/15/2013	IFE				
36862GSM2	GENERAL ELEC CAP CORP	05/07/2012	Goldman Sachs NY	XXX	509,805	500,000.00	499,480	57	57	57		57			498,537		10,268	3,613	06/17/2013	IFE				
43813TAB9	HONDA AUTO RECEIVABLES OW 1 A2	06/15/2012	PRINCIPAL RECEIPT	XXX	301,570	301,569.78	301,782	301,703	(133)	(133)		(133)			301,570		812	3,081	06/17/2013	IFE				
43813BAC6	HONDA AUTO RECEIVABLES OW 3 A3	04/23/2012	VARIOUS	XXX	1,302,025	1,300,596.94	1,300,524	1,300,482	79	79		79			1,300,562		1,463	3,081	04/21/2014	IFE				
44918AAB2	HYUNDAI AUTO RECEIVABLES C A2	06/15/2012	PRINCIPAL RECEIPT	XXX	115,476	115,476.27	115,468	115,469	7	7		7			115,476		344	344	07/15/2014	IFE				
46625MTX7	JP MORGAN CHASE & CO	06/12/2012	PRINCIPAL RECEIPT	XXX	920,701	875,000.00	911,018	17,436	333	(718)	68	(653)			896,076		24,625	23,960	06/01/2014	1AM				
46625HJN3	MERRILL LYNCH MORTGAGE KEY1 A3	06/28/2012	National Fin Svcs Corp	XXX	29,013	29,013.14	29,846	29,846	(832)	(832)		(832)			29,013		783	783	11/12/2036	IFE				
59022HCP6	METROPOLITAN LIFE GLOBAL 144A	05/01/2012	PRINCIPAL RECEIPT	XXX	1,577,373	1,515,000.00	1,593,665	1,573,665	(16,788)	(16,788)		(16,788)			1,562,877		14,496	43,988	04/10/2013	IFE				
61746WD49	MORGAN STANLEY DEAN WIT HQ2 A2	06/12/2012	Chemical Securities	XXX	96,275	96,274.98	58,963	58,963	(2,949)	(2,949)		(2,949)			96,275		1,384	1,384	03/12/2035	1AM				
74005PAJ3	PRAXAIR INC NT	04/01/2012	MATURITY	XXX	400,000	400,000.00	429,460	405,609	(5,609)	(5,609)		(5,609)			400,000		12,750	12,750	04/01/2012	IFE				
80705TAA4	SCHOLAR FUNDING TRUST 2011-A A	04/28/2012	PRINCIPAL RECEIPT	XXX	40,386	40,386.49	39,589	40,334	52	52		52			40,386		8,681	144	04/28/2036	IFE				
91159HGR5	US BANCORP	05/07/2012	U S Bancorp	XXX	133,671	125,000.00	124,978	124,989	2	2		2			124,990		7,377	6,084	09/13/2013	IFE				
91159HG0	US BANCORP	05/04/2012	Salomon Brothers	XXX	681,980	675,000.00	674,129	674,504	99	99		99			674,603		7,224	2,953	05/15/2014	IFE				
91159HGZ7	US BANCORP	05/04/2012	Salomon Brothers	XXX	503,765	500,000.00	493,492	495,758	783	783		783			496,541		7,224	2,953	10/31/2013	IFE				
92867FAB1	VOLKSWAGEN AUTO LEASE TRU A A2	06/20/2012	PRINCIPAL RECEIPT	XXX	19,527	19,527.47	19,527	19,527	(135)	(135)		(135)			19,527		4,417	98	02/20/2014	IFE				
92867DAB6	VOLKSWAGEN AUTO LOAN ENHA 1 A2	06/20/2012	PRINCIPAL RECEIPT	XXX	170,279	170,279.47	170,419	170,414							170,279		4,417	466	12/20/2013	IFE				
959802AN9	WESTERN UNION COTHE	06/13/2012	Dain Rauscher	XXX	1,004,417	1,000,000.00	1,000,000	1,000,000	(135)	(135)		(135)			1,000,000		4,417	5,714	03/07/2013	IFE				
98158NAB9	WORLD OMNI AUTOMOBILE LE A A2	06/15/2012	PRINCIPAL RECEIPT	XXX	152,625	152,624.86	152,786	152,760	(135)	(135)		(135)			152,625		4,417	519	10/15/2013	IFE				
3899999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)			XXX	17,465,724	17,135,135.72	17,573,381	16,959,974	333	(80,317)	68	(60,052)			17,379,400		86,323	306,348		XXX				
8399997	Subtotal - Bonds - Part 4			XXX	27,270,073	26,914,353.51	27,450,453	24,490,438	333	(155,000)	68	(154,735)			27,175,539		94,533	364,782		XXX				
8399998	Summary Item from Part 5 for Bonds (N/A to Quarterly)			XXX	XXX	XXX	XXX	XXX	XXX	XXX	68	XXX			XXX		XXX	XXX		XXX				
8399999	Subtotal - Bonds			XXX	27,270,073	26,914,353.51	27,450,453	24,490,438	333	(155,000)	68	(154,735)			27,175,539		94,533	364,782		XXX				
8999998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX		XXX	XXX		XXX				
9799999	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX		XXX	XXX		XXX				
9899999	Subtotal - Preferred and Common Stocks			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX		XXX	XXX		XXX				
9999999	Total - Bonds, Preferred and Common Stocks			XXX	27,270,073	26,914,353.51	27,450,453	24,490,438	333	(155,000)	68	(154,735)			27,175,539		94,533	364,782		XXX				

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

**SCHEDULE DB - PART A - SECTION 1**

Showing all Options, Caps, Floors, 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)																						
1																						
Code	Hedge																					
	NONE																					
0000	od																					



**SCHEDULE DB - PART B - SECTION 1**  
**Future Contracts Open as of the Current Statement Date**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	Change in Variation Margin			19	20		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	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	Cumulative	Gain (Loss) Recognized in Current Year	Gain (Loss) Used to Adjust Basis of Hedged Item	Deferred	Potential Exposure	Hedge Effectiveness at Inception and at Quarter-End (e)	
1449999 Totals .....																				
																				XXX

1	2
Broker Name	Net Cash Deposits
<b>NONE</b>	
9999999 Total - Net Cash Deposits .....	

(a)	2
1	Financial or Economic Impact of the Hedge at the End of the Reporting Period
Code	
... 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		
<b>NONE</b>									
0899999 Total									

## SCHEDULE DL - PART 1 SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date

1 CUSIP Identification	2 Description	3 Code	4 NAIC Designation / Market Indicator	5 Fair Value	6 Book/Adjusted Carrying Value	7 Maturity Dates
<b>NONE</b>						
9999999 Grand Totals .....						X X X .....

**General Interrogatories:**

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 Code	4 NAIC Designation / Market Indicator	5 Fair Value	6 Book/Adjusted Carrying Value	7 Maturity Dates
NONE						
9999999 Grand Totals .....						X X X .....

**General Interrogatories:**

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 Depository		2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
						6 First Month	7 Second Month	8 Third Month	
<b>open depositories</b>									
US Bank .....	150 4th Avenue North, Nashville, TN 37219 .....					11,822,122	12,935,606	6,431,204	X X X
US Bank .....	150 4th Avenue North, Nashville, TN 37219 .....					2,258,677	2,272,898	2,286,168	X X X
US Bank .....	150 4th Avenue North, Nashville, TN 37219 .....					58,673,131	60,224,073	(6,298,701)	X X X
US Bank .....	150 4th Avenue North, Nashville, TN 37219 .....					(5,371,403)	(1,241,813)	(6,032,669)	X X X
0199998 Deposits in .....50 depositories that do not exceed the allowable limit in any one depository - open depositories .....		X X X	X X X	485		(104,677)	2,024,699	9,212	X X X
0199999 Totals - Open Depositories .....		X X X	X X X	485		67,277,850	76,215,463	(3,604,786)	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	485		67,277,850	76,215,463	(3,604,786)	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	485		67,277,850	76,215,463	(3,604,786)	X X X

**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year
<b>U.S. Special Revenue, Special Assessment - Issuer Obligations</b>							
FEDERAL HOME LN BK CONS DISC		10/11/2011	0.000	10/04/2012	1,996,410	2,643	
FEDERAL HOME LN BK CONS DISC		06/29/2012	0.000	07/02/2012	12,346,081	7	
2599999 Subtotals - U.S. Special Revenue, Special Assessment - Issuer Obligations					14,342,491	2,650	
3199999 Subtotals - U.S. Special Revenue, Special Assessment					14,342,491	2,650	
<b>Industrial &amp; Miscellaneous (Unaffiliated) - Issuer Obligations</b>							
CIESCO LLC DISC		06/28/2012	0.000	07/23/2012	2,649,043	115	
COCA COLA CO DISC		05/10/2012	0.000	11/05/2012	2,197,484	733	
CROWN POINT CAP DISC		05/09/2012	0.000	08/14/2012	2,995,312	2,564	
GOVCO LLC DISC		06/28/2012	0.000	07/24/2012	2,649,005	115	
JUPITER SEC CORP DISC		05/29/2012	0.000	07/25/2012	2,499,288	407	
MARKET STREET FDG DISC		04/18/2012	0.000	07/24/2012	3,497,737	1,721	
METLIFE SHORT DISC		06/05/2012	0.000	11/14/2012	2,995,410	750	
PNC BANK N A DISC		04/27/2012	0.000	10/24/2012	2,995,050	1,788	
CREDIT AGRICOLE 3 REPO		06/29/2012	0.250	07/02/2012	730,717	10	
BOA CAT 1 REPO REPO		06/29/2012	0.140	07/02/2012	6,868,118	53	
3299999 Subtotals - Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations					30,077,164	8,256	
3899999 Subtotals - Industrial & Miscellaneous (Unaffiliated)					30,077,164	8,256	
7799999 Subtotals - Issuer Obligations					44,419,655	10,906	
8399999 Subtotals - Bonds					44,419,655	10,906	
8499999 Sweep Accounts							
8599999 Other Cash Equivalents							
8699999 Total - Cash Equivalents					44,419,655	10,906	



## 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) .....	<b>NONE</b>		X X X		
6. Aggregate Policy Reserves - change .....				X X X	X X X
7. Expenses Paid .....				X X X	
8. Expenses Incurred .....		X X X		X X X	X X X
9. Underwriting Gain or Loss .....		X X X		X X X	X X X
10. Cash Flow Results .....	X X X	X X X	X X X	X X X	

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

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**EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID**

1 Name of debtor	2 1 - 30 days	3 31 - 60 days	4 61 - 90 days	5 Over 90 days	6 Nonadmitted	7 Admitted
0199999 Total Individuals.....						
0299999 Total group.....						
0399999 Premiums due and unpaid from Medicare entities.....						
Medicaid Entities: ..... ..... .....	<b>NONE</b>					
0499997 Subtotal - Medicaid Entities.....	-	-	-	-	-	-
0499999 Premiums due and unpaid from Medicaid entities.....	-	-	-	-	-	-
0599999 Accident and health premiums due and unpaid (Page 2, Line 13).....	-	-	-	-	-	-

**EXHIBIT 3 - HEALTH CARE RECEIVABLES**

1 Name of debtor	2 1 - 30 days	3 31 - 60 days	4 61 - 90 days	5 Over 90 days	6 Nonadmitted	7 Admitted
0199998 Pharmaceutical Rebate Receivables - Not Individually Listed.....						
0199999 Subtotal - Pharmaceutical Rebate Receivables.....						
Provider Receivables	-	-	-	976,942	976,942	-
0299998 Claim Overpayment Receivables - Not Individually Listed.....	-	-	-	976,942	976,942	-
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.....	-	-	-	976,942	976,942	-

**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							
<b>NONE</b>							
0199999 Total - individually listed receivables							
0299999 Receivables not individually listed							
0399999 Total gross amounts receivable							

**EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES**

Affiliate	2 Description	3 Amount	5	
			4 Current	Non-Current
BlueCross BlueShield of Tennessee	Administrative Expense offset and Federal Income Tax Expense	23,267,703	23,267,703	-
0199999 Total - Individually listed payables	.....XXX	23,267,703	23,267,703	-
0299999 Payables not individually listed	.....XXX	.....	.....	.....
0399999 Total gross payables	.....XXX	23,267,703	23,267,703	-

Volunteer State Health Plan, Inc.  
 Reconciliation of NAIC Filing to Medical Fund Target Report (MCO 4 and 11)  
 June 30, 2012 Program to Date

	<u>TennCare Select Financials</u>	<u>Total per DOI</u>
Incurring Claims (2nd qtr 2012 YTD)	\$ 171,934,400	\$ 171,934,400
Incurring Claims (4th qtr 2011 YTD)	320,445,926	320,445,926
Incurring Claims (4th qtr 2010 YTD)	346,298,026	346,298,026
Incurring Claims (4th qtr 2009 YTD)	364,457,831	364,457,831 *
Incurring Claims (4th qtr 2008 YTD)	313,626,231	313,626,231 *
Incurring Claims (4th qtr 2007 YTD)	545,614,778	545,614,778 *
Incurring Claims (4th qtr 2006 YTD)	962,275,844	962,275,844 *
Incurring Claims (4th qtr 2005 YTD)	961,436,024	961,436,024 *
Incurring Claims (4th qtr 2004 YTD)	943,646,142	943,646,142 *
Incurring Claims (4th qtr 2003 YTD)	652,899,861	652,899,861 *
Incurring Claims (4th qtr 2002 YTD)	526,808,623	526,808,623 *
Total		<u>\$ 6,109,443,686</u>

Directives not included on MFT	(221,094)
Bad Debt not included on MFT	(770,183)

Claims prior to July 2002	(279,277,956)
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Incurring Claims per MFT	<b>\$ 5,826,817,057</b>
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Volunteer State Health Plan, Inc.  
 Reconciliation of NAIC Filing to West (Insured) Medical Loss Ratio Report  
 June 30, 2012 Program to Date

	<u>West - Insured</u>	<u>Total per DOI</u>
Revenues (2nd qtr 2012 YTD)	\$ 375,940,498	\$ <b>375,940,498</b>
Revenues (4th qtr 2011 YTD)	741,604,788	<b>741,604,788</b>
Revenues (4th qtr 2010 YTD)	604,258,424	<b>604,258,424</b>
Revenues (4th qtr 2009 YTD)	501,533,700	<b>501,533,700</b>
Revenues (4th qtr 2008 YTD)	78,007,924	<b>78,007,924</b>
Total		<b>\$ 2,301,345,334</b>
Pre-Insured (ASO revenue)	(502,568)	
2010 GAAP to SAP Prem Accr Adj	(4,655)	
Premium receivable	5,595,749	
Choices Recoupment	6,296,104	
3rd Qtr 2011 Choices Recoup. Payback	(115,854)	
3.5% Premiums Rec'd	(157,254)	
West Nov 2010 Withhold	1,499,918	
Rounding	1	
<b>Revenues per MLR</b>	<b>\$ 2,313,956,775</b>	
Incurred Claims (2nd qtr 2012 YTD)	\$ 299,757,326	\$ <b>299,757,326</b>
Incurred Claims (4th qtr 2011 YTD)	579,881,923	<b>579,881,923</b>
Incurred Claims (4th qtr 2010 YTD)	515,339,034	<b>515,339,034</b>
Incurred Claims (4th qtr 2009 YTD)	481,561,641	<b>481,561,641</b>
Incurred Claims (4th qtr 2008 YTD)	97,374,827	<b>97,374,827</b>
Total		<b>\$ 1,973,914,751</b>
Pre-Insured (ASO claims)	(474,787)	
Bad Debt	(832,986)	
Change in PDR methodology	(21,151,286)	
Rounding	3	
<b>Incurred Claims per MLR</b>	<b>\$ 1,951,455,695</b>	

Volunteer State Health Plan, Inc.  
 Reconciliation of NAIC Filing to East (Insured) Medical Loss Ratio Report  
 June 30, 2012 Program to Date

	<u>East - Insured</u>	<u>Total per DOI</u>
Revenues (2nd qtr 2012 YTD)	\$ 465,399,455	\$ 465,399,455
Revenues (4th qtr 2011 YTD)	954,333,665	954,333,665
Revenues (4th qtr 2010 YTD)	811,747,843	811,747,843
Revenues (4th qtr 2009 YTD)	698,000,959	698,000,959
Total		<u>\$ 2,929,481,922</u>
Pre-Insured (ASO revenue)	(1,871,562)	
Premium receivable	8,046,928	
3rd Qtr 2011 Choices Recoup. Payback	(305,948)	
Choices Recoupment	8,018,060	
3.5% Premiums Rec'd	(400,744)	
West Nov 2010 Withhold rounding	2,009,525	
	3	
<b>Revenues per MLR</b>	<b>\$ 2,944,978,184</b>	
Incurred Claims (2nd qtr 2012 YTD)	\$ 385,719,811	\$ 385,719,811
Incurred Claims (4th qtr 2011 YTD)	771,739,538	771,739,538
Incurred Claims (4th qtr 2010 YTD)	699,394,145	699,394,145
Incurred Claims (4th qtr 2009 YTD)	651,171,191	651,171,191
Incurred Claims (4th qtr 2008 YTD)	21,511,981	21,511,981
Total		<u>\$ 2,529,536,666</u>
Pre-Insured (ASO claims)	(1,816,055)	
Change in PDR methodology	(21,511,981)	
Bad Debt	(894,167)	
Rounding	2	
<b>Incurred Claims per MLR</b>	<b>\$ 2,505,314,465</b>	



**VSHP June 2012 YTD**

	<b><u>TennCare Select Supplement 5.1</u></b>	<b><u>BlueCare West Supplement 5.2</u></b>	<b><u>BlueCare East Supplement 5.3</u></b>	<b><u>Other*</u></b>	<b><u>Total</u></b>
<b>TennCare Revenue</b>	\$ 197,586,691	\$ 375,940,498	\$ 465,399,455	\$ (164,200)	\$ 1,038,762,444
<b>Investment Income</b>		650,808	795,470	(46,655)	1,399,623
<b>Other Revenues</b>		68,000	43,000		111,000
<b>Total Revenues</b>	<u>197,586,691</u>	<u>376,659,306</u>	<u>466,237,925</u>	<u>(210,855)</u>	<u>1,040,273,067</u>
<b>Claims Expenses</b>	171,934,400	299,757,326	385,719,811	(166,684)	857,244,853
<b>Administrative Expenses</b>	23,689,074	54,598,420	70,310,100	480,504	149,078,098
<b>Pre-Tax Gain/(Loss)</b>	<u>1,963,217</u>	<u>22,303,560</u>	<u>10,208,014</u>	<u>(524,675)</u>	<u>33,950,116</u>
<b>Federal Income Tax</b>	682,489	7,753,567	3,548,695	(182,397)	11,802,354
<b>Net Gain/(Loss)</b>	<u><u>\$ 1,280,728</u></u>	<u><u>\$ 14,549,993</u></u>	<u><u>\$ 6,659,319</u></u>	<u><u>\$ (342,278)</u></u>	<u><u>\$ 22,147,762</u></u>

\*Reflects activity for contracts that have ended