QUARTERLY STATEMENT

OF THE

Volunteer State Health Plan, Inc.

of

Chattanooga

in the state of

Tennessee

2007

TO THE

Insurance Department

OF THE STATE OF

Tennessee

FOR THE QUARTER ENDED
September 30, 2007

HEALTH

2007

00000200720100103 (NAIC code not entered) 2007 Document Code: 201

QUARTERLY STATEMENT

AS OF September 30, 2007

OF THE CONDITION AND AFFAIRS OF THE

Volunteer State Health Plan, Inc.

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

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

Country of Domicile United States of America

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

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

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

Main Administrative Office 801 Pine Street (Street and Number)
Chattanooga, TN 37402 (City or Town, State and Zip Code) (423)535-5600 (Area Code) (Telephone Number)

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

Primary Location of Books and Records 801 Pine Street (Street and Number)
Chattanooga, TN 37402 (City, or Town, State and Zip Code) (423)535-5600 (Area Code) (Telephone Number)

Internet Website Address www.bcbst.com

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

Policyowner Relations Contact 801 Pine Street (Street and Number)
Chattanooga , TN 37402 (City, or Town, State and Zip Code) (423)535-5600 (Area Code) (Telephone Number)(Extension)

OFFICERS

Name	Title	
Vicky Brown Gregg	Chairman	
Sonya Kay Nelson	President & CEO	
Sylvia Ann Sherrill	Vice President, Medicare Advantage	
Shelia Dian Clemons	Secretary	
Christopher Howell Hunter	Treasurer	#
Harold Hoke Cantrell Jr.	Assistant Treasurer	
Steven Lee Coulter MD	Managing Director	#
Charles Timothy Gary	Vice President & Gen. Counsel	#

OTHERS

DIRECTORS OR TRUSTEES

Ronald Ellis Harr
Steven Lee Coulter MD
John Francis Giblin #
Vicky Brown Gregg
Charles Timothy Gary

State of Tennessee
County of Hamilton ss

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

(Signature)	(Signature)	(Signature)
Sonya Kay Nelson	Shelia Dian Clemons	Harold Hoke Cantrell, Jr.
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President & CEO	Secretary	Assistant Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this 9TH day of Nov, 2007

Is this an original filing? Yes[X] No[ ]
1. State the amendment number
2. Date filed
3. Number of pages attached

(Notary Public Signature)

MICKI COLLINS NOTARY PUBLIC AT LARGE HAMILTON CO. TN

My Commission Expires
August 18, 2010

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ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31, Prior Year Net Admitted Assets
1. Bonds	24,454,543		24,454,543	28,556,862
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 $.....0 encumbrances)				
5. Cash ($.....8,228,393), cash equivalents ($.....0) and short-term investments ($.....5,801,759)	14,030,152		14,030,152	8,914,539
6. Contract loans (including $.....0 premium notes)				
7. Other invested assets				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	38,484,695		38,484,695	37,471,401
11. Title plants less $.....0 charged off (for Title insurers only)				
12. Investment income due and accrued	387,663		387,663	401,581
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	4,265,056		4,265,056	8,839,175
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	259,308	259,308		
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets ($.....0)				
20. Net adjustments in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care ($.....0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	226,931		226,931	
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	43,623,653	259,308	43,364,345	46,712,157
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	43,623,653	259,308	43,364,345	46,712,157
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Insured Receivable from State of Tennessee	226,931		226,931	
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	226,931		226,931	

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $.....0 reinsurance ceded)				
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses				
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance	2,021,626		2,021,626	
9.	General expenses due or accrued	6,500		6,500	7,250
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				
13.	Remittances and items not allocated	12,195		12,195	4,636
14.	Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates	7,913,880		7,913,880	9,403,351
16.	Payable for securities				
17.	Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans	1,515,094		1,515,094	1,699,356
21.	Aggregate write-ins for other liabilities (including $.....0 current)	791,246		791,246	4,839,454
22.	Total liabilities (Lines 1 to 21)	12,260,541		12,260,541	15,954,047
23.	Aggregate write-ins for special surplus funds	XXX	XXX		
24.	Common capital stock	XXX	XXX	10	10
25.	Preferred capital stock	XXX	XXX		
26.	Gross paid in and contributed surplus	XXX	XXX	99,990	99,990
27.	Surplus notes	XXX	XXX		
28.	Aggregate write-ins for other than special surplus funds	XXX	XXX	25,703,132	27,775,339
29.	Unassigned funds (surplus)	XXX	XXX	5,300,672	2,882,771
30.	Less treasury stock, at cost:				
	30.1 .....0 shares common (value included in Line 24 $.....0)	XXX	XXX		
	30.2 .....0 shares preferred (value included in Line 25 $.....0)	XXX	XXX		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	31,103,804	30,758,110
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	43,364,345	46,712,157
DETAILS OF WRITE-INS					
2101.	Premium Tax Payable	705,516		705,516	535,456
2102.	Stale Dated Checks	78,919		78,919	646,335
2103.	Exigency Post Settlement Activity	6,811		6,811	12,350
2198.	Summary of remaining write-ins for Line 21 from overflow page				3,645,313
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	791,246		791,246	4,839,454
2301.		XXX	XXX		
2302.		XXX	XXX		
2303.		XXX	XXX		
2398.	Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX		
2801.	Legally Required Reserves	XXX	XXX	25,703,132	27,775,339
2802.		XXX	XXX		
2803.		XXX	XXX		
2898.	Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	25,703,132	27,775,339

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
1.	Member Months	XXX		
2.	Net premium income (including $.....0 non-health premium income)	XXX	(63,752)	(86,643)
3.	Change in unearned premium reserves and reserves for rate credits	XXX		
4.	Fee-for-service (net of $.....0 medical expenses)	XXX		
5.	Risk revenue	XXX		
6.	Aggregate write-ins for other health care related revenues	XXX		
7.	Aggregate write-ins for other non-health revenues	XXX	8,500,283	2,244,247
8.	Total revenues (Lines 2 to 7)	XXX	8,436,531	2,157,604
Hospital and Medical:				
9.	Hospital/medical benefits		(166,434)	(381,833)
10.	Other professional services		(16,388)	(282,715)
11.	Outside referrals			
12.	Emergency room and out-of-area		946	(6,445)
13.	Prescription drugs		(564,067)	
14.	Aggregate write-ins for other hospital and medical		168,058	290,945
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		(577,885)	(380,048)
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)		(577,885)	(380,048)
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including $.....152,206 cost containment expenses		620,044	526,594
21.	General administrative expenses		856,250	721,261
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)		898,409	867,807
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	7,538,122	1,289,797
25.	Net investment income earned		1,483,497	1,299,837
26.	Net realized capital gains (losses) less capital gains tax of $.....0			24,550
27.	Net investment gains or (losses) (Lines 25 plus 26)		1,483,497	1,324,387
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
29.	Aggregate write-ins for other income or expenses		(8,500,283)	(2,244,247)
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	521,336	369,937
31.	Federal and foreign income taxes incurred	XXX	175,642	68,284
32.	Net income (loss) (Lines 30 minus 31)	XXX	345,694	301,653
DETAILS OF WRITE-INS				
0601.	Revenues - Meharry, Critical Access, Trauma Center & Essential Provider Payment	XXX	100,546,064	146,217,960
0602.	Premium Taxes - Meharry, Critical Access, Trauma Center & Essential Provider Payment	XXX	(2,010,921)	(2,924,359)
0603.	Payments - Critical Access	XXX	(3,247,543)	(8,963,601)
0698.	Summary of remaining write-ins for Line 6 from overflow page	XXX	(95,287,600)	(134,330,000)
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX		
0701.	Shared Health, Inc. Revenue	XXX	8,500,283	2,244,247
0702.		XXX		
0703.		XXX		
0798.	Summary of remaining write-ins for Line 7 from overflow page	XXX		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	8,500,283	2,244,247
1401.	Exigency Post-Settlement Activity		168,058	290,945
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)		168,058	290,945
2901.	Shared Health, Inc. Expense		(8,500,283)	(2,244,247)
2902.				
2903.				
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)		(8,500,283)	(2,244,247)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year To Date	2 Prior Year To Date	3 Prior Year
	CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	30,758,110	30,420,776	30,420,776
34.	Net income or (loss) from Line 32	345,694	301,653	337,334
35.	Change in valuation basis of aggregate policy and claim reserves			
36.	Change in net unrealized capital gains (losses) less capital gains tax of $.....0			
37.	Change in net unrealized foreign exchange capital gain or (loss)			
38.	Change in net deferred income tax	(7,424)	(61,194)	(71,733)
39.	Change in nonadmitted assets	7,424	61,194	71,733
40.	Change in unauthorized reinsurance			
41.	Change in treasury stock			
42.	Change in surplus notes			
43.	Cumulative effect of changes in accounting principles			
44.	Capital Changes:			
	44.1 Paid in			
	44.2 Transferred from surplus (Stock Dividend)			
	44.3 Transferred to surplus			
45.	Surplus adjustments:			
	45.1 Paid in			
	45.2 Transferred to capital (Stock Dividend)			
	45.3 Transferred from capital			
46.	Dividends to stockholders			
47.	Aggregate write-ins for gains or (losses) in surplus			
48.	Net change in capital and surplus (Lines 34 to 47)	345,694	301,653	337,334
49.	Capital and surplus end of reporting period (Line 33 plus 48)	31,103,804	30,722,429	30,758,110
DETAILS OF WRITE-INS				
4701.				
4702.				
4703.				
4798.	Summary of remaining write-ins for Line 47 from overflow page			
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)			

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	-	-
REVENUES:			
1. TennCare Capitation	(3,171)	(63,752)	(102,928)
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	(3,171)	(63,752)	(102,928)
4. Investment	478,787	1,483,497	1,806,399
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	475,616	1,419,745	1,703,471
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	-	-	-
8. Fee-for Service Physician Services	(23,117)	(38,676)	(9,942)
9. Inpatient Hospital Services	(6,286)	(9,543)	(10,711)
10. Outpatient Services	(1,942)	(9,419)	(8,892)
11. Emergency Room Services	294	296	(487)
12. Mental Health Services	-	-	-
13. Dental Services	-	-	-
14. Vision Services	-	-	-
15. Pharmacy Services	(564,067)	(564,067)	-
16. Home Health Services	-	-	(11,799)
17. Chiropractic Services	-	-	-
18. Radiology Services	(176)	(867)	(776)
19. Laboratory Services	(113)	(4,178)	-
20. Durable Medical Services	(446)	(446)	(117)
21. Transportation Services	(835)	(1,399)	(644)
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	15,002	142,564	105,013
26. Subtotal (Lines 7 to 25)	(581,686)	(485,735)	61,645
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	(15)	(45)	(180)
29. Subrogation and Coordination of Benefits	27,866	92,195	497,741
30. Subtotal (Lines 27 to 29)	27,851	92,150	497,561
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	(609,537)	(577,885)	(435,916)
Administration:			
32. Compensation	444,718	941,159	1,103,728
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	(64)	(1,275)	(2,059)
36. Occupancy, Depreciation and Amortization	44,142	93,418	109,554
37. Other Administration (Provide Detail)	209,322	442,992	519,515
38. TOTAL ADMINISTRATION (Lines 32 to 37)	698,118	1,476,294	1,730,738
39. TOTAL EXPENSES (Lines 31 and 38)	88,581	898,409	1,294,822
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(70,866)	175,642	71,315
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	457,901	345,694	337,334
DETAILS OF WRITE-INS			
0501. Meharry, Critical Access & EPP Revenues	39,579,183	100,546,064	177,230,424
0502. Meharry, Critical Access, Trauma Center and EPP Premium Taxes	(791,583)	(2,010,921)	(3,544,608)
0503. Critical Access Payments	-	(3,247,543)	(11,105,816)
0504. Meharry Payments	-	(6,500,000)	(12,580,000)
0505. Trauma Center Payments	(13,787,600)	(13,787,600)	-
0506. Essential Provider Payments (EPP)	(25,000,000)	(75,000,000)	(150,000,000)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	24,995	168,058	311,768
2502. Out of Area Claims	-	-	5
2503. PT/OT/ST, Supplies, Prosthetics, etc.	(31)	(4,284)	(40)
2504. Bad Debt Expense	(9,962)	(21,210)	(206,720)
2599. TOTALS	15,002	142,564	105,013
3701. Equipment	87,584	185,356	217,376
3702. Postage/Telephone	29,962	63,411	74,365
3703. Auditing, Actuarial, and Other Consulting	29,824	63,116	74,018
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	27,728	58,681	68,818
3705. Outsourced Services	24,445	51,734	60,670
3706. Printing and Stationary	9,779	20,694	24,268
3799. TOTALS	209,322	442,992	519,515

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	309,716	1,879,430	4,948,502
REVENUES:			
1. TennCare Capitation	91,681,289	476,681,636	1,047,749,133
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	91,681,289	476,681,636	1,047,749,133
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	8,500,283	6,550,600
6. TOTAL REVENUES (Lines 1 to 5)	91,681,289	485,181,919	1,054,299,733
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	425,369	2,237,667	5,349,605
8. Fee-for Service Physician Services	15,658,450	109,273,535	277,217,902
9. Inpatient Hospital Services	25,870,097	117,499,879	242,647,007
10. Outpatient Services	7,883,107	54,790,030	134,370,816
11. Emergency Room Services	2,114,632	13,418,205	32,309,809
12. Mental Health Services	-	-	-
13. Dental Services	69	1,588	1,375
14. Vision Services	44,163	247,785	682,606
15. Pharmacy Services	-	(29,956)	-
16. Home Health Services	20,627,673	97,406,366	168,332,760
17. Chiropractic Services	-	-	-
18. Radiology Services	728,015	6,378,856	18,055,066
19. Laboratory Services	653,343	5,347,926	15,285,472
20. Durable Medical Services	2,014,925	8,141,358	17,293,399
21. Transportation Services	1,339,681	9,365,957	29,130,975
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	6,183,110	14,715,002	24,792,050
26. Subtotal (Lines 7 to 25)	83,542,634	438,794,198	965,468,842
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	7,408	116,309	342,776
29. Subrogation and Coordination of Benefits	963,767	2,860,109	2,850,222
30. Subtotal (Lines 27 to 29)	971,175	2,976,418	3,192,998
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	82,571,459	435,817,780	962,275,844
Administration:			
32. Compensation	4,704,754	20,030,941	41,122,621
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	1,833,626	9,533,633	20,954,983
36. Occupancy, Depreciation and Amortization	466,983	1,988,222	4,081,729
37. Other Administration (Provide Detail)	2,214,468	17,928,604	25,906,521
38. TOTAL ADMINISTRATION (Lines 32 to 37)	9,219,831	49,481,400	92,065,854
39. TOTAL EXPENSES (Lines 31 and 38)	91,791,290	485,299,180	1,054,341,698
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(38,500)	(41,041)	(14,688)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(71,501)	(76,220)	(27,277)
DETAILS OF WRITE-INS			
0501. Shared Health, Inc. Revenue	-	8,500,283	6,550,600
0599. TOTALS	-	8,500,283	6,550,600
2501. PT/OT/ST, Supplies, Prosthetics, etc.	2,444,780	8,752,472	16,561,595
2502. Out of Area Claims Expense	1,930,575	4,157,810	8,256,283
2503. Bad Debt Expense	1,807,755	1,804,720	(25,828)
2599. TOTALS	6,183,110	14,715,002	24,792,050
3701. Shared Health, Inc. Expense	-	8,500,283	6,550,600
3702. Equipment Rental	926,573	3,944,982	8,098,874
3703. Postage/Telephone	316,984	1,349,599	2,770,668
3704. Auditing, Actuarial, and Other Consulting	315,509	1,343,308	2,757,751
3705. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	293,342	1,248,931	2,563,997
3706. Outsourced Services	258,614	1,101,072	2,260,451
3707. Printing and Stationary	103,446	440,429	904,180
3799. TOTALS	2,214,468	17,928,604	25,906,521

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	625,498	1,871,675	2,548,992
REVENUES:			
1. TennCare Capitation	112,970,373	360,424,977	448,353,023
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	112,970,373	360,424,977	448,353,023
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	112,970,373	360,424,977	448,353,023
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	493,982	1,494,838	2,038,628
8. Fee-for Service Physician Services	35,161,374	117,588,290	152,018,048
9. Inpatient Hospital Services	24,779,539	73,687,362	92,193,335
10. Outpatient Services	14,658,023	47,883,325	58,985,632
11. Emergency Room Services	3,726,567	12,086,089	14,041,135
12. Mental Health Services	-	-	-
13. Dental Services	617	2,716	2,357
14. Vision Services	77,177	224,876	312,077
15. Pharmacy Services	-	(35,220)	-
16. Home Health Services	13,418,240	44,541,351	47,213,971
17. Chiropractic Services	-	-	-
18. Radiology Services	2,185,346	7,236,431	9,338,358
19. Laboratory Services	2,221,151	7,346,783	9,903,371
20. Durable Medical Services	2,003,811	6,887,060	9,334,251
21. Transportation Services	3,109,084	8,142,609	10,336,754
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	2,352,249	6,591,830	7,377,893
26. Subtotal (Lines 7 to 25)	104,187,160	333,678,340	413,095,810
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	47,952	164,597	247,506
29. Subrogation and Coordination of Benefits	508,871	1,480,257	2,143,311
30. Subtotal (Lines 27 to 29)	556,823	1,644,854	2,390,817
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	103,630,337	332,033,486	410,704,993
Administration:			
32. Compensation	4,581,450	13,580,999	18,225,129
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	2,259,408	7,204,737	9,029,379
36. Occupancy, Depreciation and Amortization	454,743	1,348,016	1,808,981
37. Other Administration (Provide Detail)	2,156,435	6,392,411	8,578,346
38. TOTAL ADMINISTRATION (Lines 32 to 37)	9,452,036	28,526,163	37,641,835
39. TOTAL EXPENSES (Lines 31 and 38)	113,082,373	360,559,649	448,346,828
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(39,200)	(47,135)	2,168
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(72,800)	(87,537)	4,027
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	1,731,013	5,224,018	5,863,945
2502. Out of Area Claims Expense	531,257	1,324,631	1,661,648
2503. Bad Debt Expense	89,979	43,181	(147,700)
2599. TOTALS	2,352,249	6,591,830	7,377,893
3701. Equipment Rental	902,293	2,674,703	3,589,339
3702. Postage/Telephone	308,679	915,030	1,227,932
3703. Auditing, Actuarial, and Other Consulting	307,239	910,764	1,222,207
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	285,654	846,775	1,136,336
3705. Outsourced Services	251,836	746,528	1,001,809
3706. Printing and Stationary	100,734	298,611	400,723
3799. TOTALS	2,156,435	6,392,411	8,578,346

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
	Cash from Operations		
1.	Premiums collected net of reinsurance	1,957,874	(102,928)
2.	Net investment income	1,599,734	1,968,652
3.	Miscellaneous income	8,500,283	6,550,600
4.	Total (Lines 1 to 3)	12,057,891	8,416,324
5.	Benefit and loss related payments	(577,885)	(435,916)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	5,587,470	14,880,394
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses)	175,642	71,315
10.	Total (Lines 5 through 9)	5,185,227	14,515,793
11.	Net cash from operations (Line 4 minus Line 10)	6,872,664	(6,099,469)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	10,200,000	3,479,480
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	10,200,000	3,479,480
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	6,200,000	2,999,452
	13.2 Stocks		
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		
	13.6 Miscellaneous applications		
	13.7 Total investments acquired (Lines 13.1 to 13.6)	6,200,000	2,999,452
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	4,000,000	480,028
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	(5,757,051)	5,270,570
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	(5,757,051)	5,270,570
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	5,115,613	(348,871)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	8,914,539	9,263,410
	19.2 End of period (Line 18 plus Line 19.1)	14,030,152	8,914,539

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

	Description	Amount 1	Amount 2
20.0001			

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year										
2. First Quarter										
3. Second Quarter										
4. Third Quarter										
5. Current Year										
6. Current Year Member Months										
Total Member Ambulatory Encounters for Period:										
7. Physician	(102)								(102)	
8. Non-Physician	(15)								(15)	
9. Total	(117)								(117)	
10. Hospital Patient Days Incurred	(4)								(4)	
11. Number of Inpatient Admissions	(1)								(1)	
12. Health Premiums Written (a)	(63,752)								(63,752)	
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned	(63,752)								(63,752)	
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	(577,885)								(577,885)	
18. Amount Incurred for Provision of Health Care Services	(577,885)								(577,885)	

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

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

Aging Analysis of Unpaid Claims

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

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
1. Comprehensive (hospital & medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	(577,885)				(577,885)	
8. Other health						
9. Health subtotal (Lines 1 to 8)	(577,885)				(577,885)	
10. Healthcare receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals	(577,885)				(577,885)	

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

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Notes to Financial Statement

1. Summary of Significant Accounting Policies

   A. Accounting Practices

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

   The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2007, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

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

   The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be increased and claims would be decreased $8,606 YTD. Since 2003, activity has been settled monthly on a cash basis.

   At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for premium taxes. The rationale behind the exclusion is that these assets have no economic benefit to VSHP. In addition to the aforementioned request, the TDCI has also requested VSHP show Shared Health, Inc. revenue on line 7 of the Statement of Revenues and Expenses as an aggregate write-in for other non-health revenues. The related off-setting expense is shown on line 29, aggregate write-ins for other income or expenses. The receivable from the State is shown on line 15 of the asset page and the liability to Shared Health, Inc. flows through line 15 of the liability page. This practice differs from the NAIC's *Accounting Practices and Procedures Manual* which requires the netting of revenues and expenses for ASO business in administrative expenses. As a result of the June 2006 examination, which was published May 11, 2007, premium tax liability has been reclassed from general expenses due and accrued to line 21, aggregate write-ins for other liabilities. The change applies to both current and prior year columns. These permitted practices have no impact on the Company's capital and surplus.

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

   No Change

   C. Accounting Policy

   No Change

2. Accounting Changes and Corrections of Errors

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

   No Change

3. Business Combinations and Goodwill

   No Change

4. Discontinued Operations

   No Change

5. Investments

   No Change

6. Joint Ventures, Partnerships and Limited Liability Companies

   No Change

7. Investment Income

   No Change

Notes to Financial Statement

8. Derivative Instruments

No Change

9. Income Taxes

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

		September 30, 2007	December 31, 2006
(1)	Total of gross deferred tax assets (admitted and nonadmitted)	$ 259,308	$ 266,732
(2)	Total of deferred tax liabilities	0	0
(3)	Net deferred tax assets	259,308	266,732
(4)	Deferred tax assets nonadmitted	259,308	266,732
(5)	Net admitted deferred tax assets	$ 0	$ 0
(6)	Increase (decrease) in nonadmitted asset	$ (7,424)	$ (71,733)

B. No Change

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

	September 30, 2007	December 31, 2006	Change
Total deferred tax assets (admitted and non-admitted)	$ 259,308	$ 266,732	$ (7,424)
Total deferred tax liabilities	0	0	0
Net deferred tax assets (deferred assets less liabilities)	$ 259,308	$ 266,732	(7,424)
Tax effect of non-admitted assets			(21)
Change in net deferred income tax			$ (7,445)

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

	September 30, 2007	Effective Tax Rate
Provision computed at statutory rate	$ 182,468	35.0%
Other permanent differences	619	(0.1)
Change in net deferred income taxes	(7,445)	(1.4)
Federal income taxes incurred	$ 175,642	33.7%

E. No Change

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

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

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

10. Information Concerning Parent, Subsidiaries and Affiliates

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

The Parent owns 100% of BeneVive, Inc. (BeneVive) and SDBS. The Parent also owns a 100% interest in GDRG, LLC (GDRG) and a 20% ownership interest in TriServ Alliance, LLC (TSA).

Notes to Financial Statement

In 2006, the Parent initiated a reorganization of its corporate structure to better serve BCBST Enterprise's business needs. The reorganization began when BeneVive, Inc. was incorporated on November 13, 2006 as a new for-profit holding company. The remaining corporate restructure was effective as of January 1, 2007, with the completion of the following actions:

SDBS, a wholly-owned for-profit subsidiary of the Parent, declared a stock dividend payable to the Parent. The stock dividend consisted of all of the issued and outstanding shares of stock in Shared Health, Inc. (SH), Riverbend Government Benefits Administrator, Inc. (RGBA), Gordian Health Solutions, Inc. (GHS), Security Care, Inc. (SCI), and RiverTrust Solutions, Inc. (RTS).

The Parent contributed to BeneVive all of the issued and outstanding shares of stock in SH, RGBA, GHS, SCI and RTS in exchange for 100 shares of BeneVive stock.

The Parent made a capital contribution to SDBS, which consisted of all Volunteer State Health Plan, Inc. (VSHP) stock.

Southern Health Plan, Inc. (SHP) amended its Bylaws to reflect that the Parent will govern and oversee SHP.

In addition, the Parent assigned to RGBA all of its interests in Capstone Government Solutions, LLC (Capstone), a joint venture limited liability company with CIGNA Government Services, LLC (CIGNA). CIGNA previously consented to the assignment between the Parent and RGBA in Amendment No. 2 to Operating Agreement of Capstone dated effective as of July 12, 2006.

The activities related to this corporate restructure have previously been communicated to representatives of the Tennessee Department of Commerce and Insurance. As of September 30, 2007, 380 shares of RTS stock have been issued to BeneVive in exchange for $1.9 million while no shares have been issued for RGBA. Shares will be issued in 2007 as these subsidiaries are funded, up to a maximum of 1,000 shares for each entity.

The Parent created Tennessee Health Foundation, Inc. (THF) in 2003. THF, doing business as BlueCross BlueShield of Tennessee Health Foundation, is a public benefit corporation that promotes charitable activities. The Parent appoints the board of directors of THF, which has been granted a 501(c)(3) tax exemption by the Internal Revenue Service.

Southern Health Plan, Inc. (SHP), doing business as BlueCross BlueShield of Tennessee Community Trust, is a Tennessee corporation created for the purpose of improving the quality of health care in Tennessee, primarily through contributions to other tax-exempt organizations. The Parent appoints the board of directors of SHP, which has also been granted a 501(c)(4) tax exemption by the Internal Revenue Service.

GDRG, formed in 2004, is a limited liability company whose primary purpose is to acquire, own, hold, maintain, operate, and develop real property.

TSA is a limited liability company formed in 2007 with six other non-investor owned Blue Cross and Blue Shield plans in the southern United States whose primary purpose is to jointly pursue an opportunity with TRICARE, a service of the U.S. Department of Defense, to administer the Managed Care Support (MCS) contract for the South Region. The Parent transferred $1.5 million to TSA in 2007.

BeneVive owns 100% of the for-profit corporations Shared Health, Inc. (SH), and Gordian Health Solutions, Inc. (GHS). SH is a health information technology company. GHS, in conjunction with its wholly owned subsidiaries, Continental Health Promotion, Inc. (CHP) and Eris Survey Systems, Inc. (ESS), mitigates the rising cost of health care by encouraging the formation of healthy lifestyle behaviors and providing case management for existing illnesses. The Parent transferred $9.45 million to BeneVive in 2007 as additional capital contributions.

BeneVive also owns 100% of the for-profit corporations Security Care, Inc. (SCI), RiverTrust Solutions, Inc. (RTS) and Riverbend Government Benefits Administrator, Inc. (RGBA). SCI was incorporated in 2004 as a wholly-owned subsidiary of SDBS to bid on a Request for Proposal to manage Medicare's Chronic Care Improvement Program (CCIP). RTS was established in 2003 as a wholly-owned subsidiary of SDBS, and on September 7, 2006 became a Qualified Independent Contractor (QIC) able to bid on Medicare appeals workloads. RGBA was incorporated in 2002 to perform services as a Medicare Administrative Contractor or subcontractor for the Centers for Medicare and Medicaid Services (CMS) pursuant to the Medicare Modernization Act of 2003.

Capstone Government Solutions, LLC (Capstone) was incorporated in 2004 as a joint venture between the Parent and CIGNA Government Services, LLC (CIGNA) for the purpose of bidding on and administering future Medicare fee-for-service contracts. The Parent ratified the transfer of its interest in Capstone to RGBA in 2007.

Notes to Financial Statement

SDBS owns 100% of the following for-profit corporations: Golden Security Insurance Company (GSI), Group Insurance Services, Inc. (GIS), and Volunteer State Health Plan, Inc. (VSHP). GSI, an inactive corporation, is licensed to provide health, term life, disability and other insurance coverage to its policyholders. GIS is an insurance broker. The Parent participates in the TennCare[SM] program through its Managed Care Organization (MCO), VSHP, which is contracted by the State of Tennessee to provide services for TennCare[SM] members. SDBS also owns a 10% interest in USAble Life, Inc. (USAble).

Due to the reorganization described above and the application of SSAP 88, the statutory value of VSHP amounting to $31,103,804 as of September 30, 2007 is nonadmitted on the Parent's financial statements, since VSHP is now the subsidiary of a non-audited holding company SDBS rather than held directly by BCBST.

B. No Change.

C. The Company paid $60,090,617 and $100,042,905 in 2007 and 2006 respectively, to the Parent for services performed under the administrative services and tax sharing agreements.

D. The Company reported $7,913,880 and $6,549,638 as amounts due to the Parent in 2007 and 2006 respectively. The Company also reported $0 and $2,853,713 as amounts due to Shared Health, Inc., an affiliate of the Company, in 2007 and 2006 respectively. The Shared Health payables are also presented as receivables due from the State of Tennessee. These intercompany payables and receivables are typically settled monthly. However, a balance may be carried over from month to month based on the cash flow needs of the various entities. Effective July 1, 2007, due to contract changes Shared Health directly invoices the State of Tennessee therefore eliminating a payable to Shared Health.

E. No Change

F. No Change

G. No Change

H. No Change

I. No Change

J. No Change

K. No Change

11. Debt

No Change

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

No Change

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

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

a.	unrealized gains and losses:	Not Applicable
b.	nonadmitted asset values:	$259,308
c.	separate account business	Not Applicable
d.	asset valuation	Not Applicable
e.	provision for reinsurance:	Not Applicable

14. Contingencies

No Change

15. Leases

No Change

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations Of Credit Risk

No Change

Notes to Financial Statement

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

C. Wash Sales

No Change

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

A. ASO Plans

TennCare℠ Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per Administrative Services Agreements, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCare℠ Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). Cash and invested assets related to TennCare℠ Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCare℠ Select and the Stabilization Plan are netted on p. 2, line 15. Assets deemed to have no economic benefit to VSHP, such as premium tax receivable from the State of Tennessee, are netted against premium tax payable to the State of Tennessee to avoid overstatement of assets and liabilities. Liabilities for the ASO plans are netted on page 3, line 20 in the category labeled "Liability for amounts held under uninsured accident and health plans", excluding any 'due to/from' transactions occurring between the ASO, insured business, and the Parent.

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

Uninsured Receivables		Amount
a. TPL Recovery Expenses	$	532,651
b. Minimum Financial Guaranty		2,777,883*
c. Unbilled Expenses (timing differences)		203,362
d. Pay for Performance Bonus 1 & 2Q FY 2007		700,000
e. Transplant Safety Net		51,160
Total Amounts Receivable Relating to Uninsured Plans	$	4,265,056

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

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2007:

	(1) ASO Uninsured Plans	(2) Uninsured Portion of Partially Insured Plans	(3) Total ASO
a. Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of actual expenses	$ (251,526)	0	$ (251,526)
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	(407)	0	(407)
c. Net Gain or (Loss) from operations	$ (251,933)	0	$ (251,933)
d. Total Claims Payment Volume	$837,468,802		$837,468,802

B. ASC Plans

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

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

Not Applicable

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

No Change

Notes to Financial Statement

20. September 11 Events

    No Change

21. Other Items

    No Change

22. Events Subsequent

    No Change

23. Reinsurance

    No Change

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

    No Change

25. Change in Incurred Claims and Claim Adjustment Expenses

    No Change

26. Intercompany Pooling Arrangements

    No Change

27. Structured Settlements

    No Change

28. Health Care Receivables

    No Change

29. Participating Policies

    No Change

30. Premium Deficiency Reserve

    No Change

31. Anticipated Salvage and Subrogation

    No Change

GENERAL INTERROGATORIES

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

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

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

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

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

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

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2006
6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2006
6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/11/2007
6.4 By what department or departments?
Tennessee Department of Commerce and Insurance

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

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

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

FINANCIAL

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

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 Has there been any change in the reporting entity's own preferred or common stock? Yes[ ] No[X]
11.2 If yes, explain:

12.1 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]
12.2 If yes, give full and complete information relating thereto:

13. Amount of real estate and mortgages held in other invested assets in Schedule BA: $ 0

14. Amount of real estate and mortgages held in short-term investments: $ 0

15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes[ ] No[X]
15.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
15.21	Bonds		
15.22	Preferred Stock		
15.23	Common Stock		
15.24	Short-Term Investments		
15.25	Mortgages Loans on Real Estate		
15.26	All Other		
15.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26)		
15.28	Total Investment in Parent included in Lines 15.21 to 15.26 above		

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

17. Excluding items in Schedule E, 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 Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[ ]
17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

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

17.2 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)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes[ ] No[X]
17.4 If yes, give full and complete information relating thereto:

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

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

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

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[ ]
18.2 If no, list exceptions:

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.	Increase (decrease) by adjustment		
3.	Cost of acquired		
4.	Cost of additions to and permanent improvements		
5.	Total profit (loss) on sales		
6.	Increase (decrease) by foreign exchange adjustment		
7.	Amount received on sales		
8.	Book/adjusted carrying value at end of current period		
9.	Total valuation allowance		
10.	Subtotal (Lines 8 plus 9)		
11.	Total nonadmitted amounts		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

		1 Year To Date	2 Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2.	Amount loaned during period:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

NONE

SCHEDULE BA - VERIFICATION

Other Invested Assets

	Description	1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during period:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		

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	28,556,862	29,169,440
2.	Cost of bonds and stocks acquired	6,200,000	2,999,453
3.	Accrual of discount	12,323	14,486
4.	Increase (decrease) by adjustment		
5.	Increase (decrease) by foreign exchange adjustment		
6.	Total profit (loss) on disposal		24,550
7.	Consideration for bonds and stocks disposed of	10,200,000	3,479,480
8.	Amortization of premium	114,642	171,587
9.	Book/adjusted carrying value, current period	24,454,543	28,556,862
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)	24,454,543	28,556,862
12.	Total nonadmitted amounts		
13.	Statement value	24,454,543	28,556,862

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 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	29,715,131	58,504,960	57,932,457	(31,332)	55,709,155	29,715,131	30,256,302	30,615,413
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. Total Bonds	29,715,131	58,504,960	57,932,457	(31,332)	55,709,155	29,715,131	30,256,302	30,615,413
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	29,715,131	58,504,960	57,932,457	(31,332)	55,709,155	29,715,131	30,256,302	30,615,413

SCHEDULE DA - PART 1

Short - Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. Totals	5,801,759	X X X	5,801,759	1,316,243	

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	2,058,551	27,811,068
2.	Cost of short-term investments acquired	171,632,193	531,120,936
3.	Increase (decrease) by adjustment		
4.	Increase (decrease) by foreign exchange adjustment		
5.	Total profit (loss) on disposal of short-term investments		
6.	Consideration received on disposal of short-term investments	167,888,985	556,873,453
7.	Book/adjusted carrying value, current period	5,801,759	2,058,551
8.	Total valuation allowance		
9.	Subtotals (Lines 7 plus 8)	5,801,759	2,058,551
10.	Total nonadmitted amounts		
11.	Statement value (Lines 9 minus 10)	5,801,759	2,058,551
12.	Income collected during period	1,316,243	1,956,467
13.	Income earned during period	1,324,460	1,878,764

SCHEDULE DB - PART F - SECTION 1

Summary of Replicated (Synthetic) Assets Open

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

SCHEDULE DB - PART F - SECTION 2

Reconciliation of Replicated (Synthetic) Assets Open

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

NONE

SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

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

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

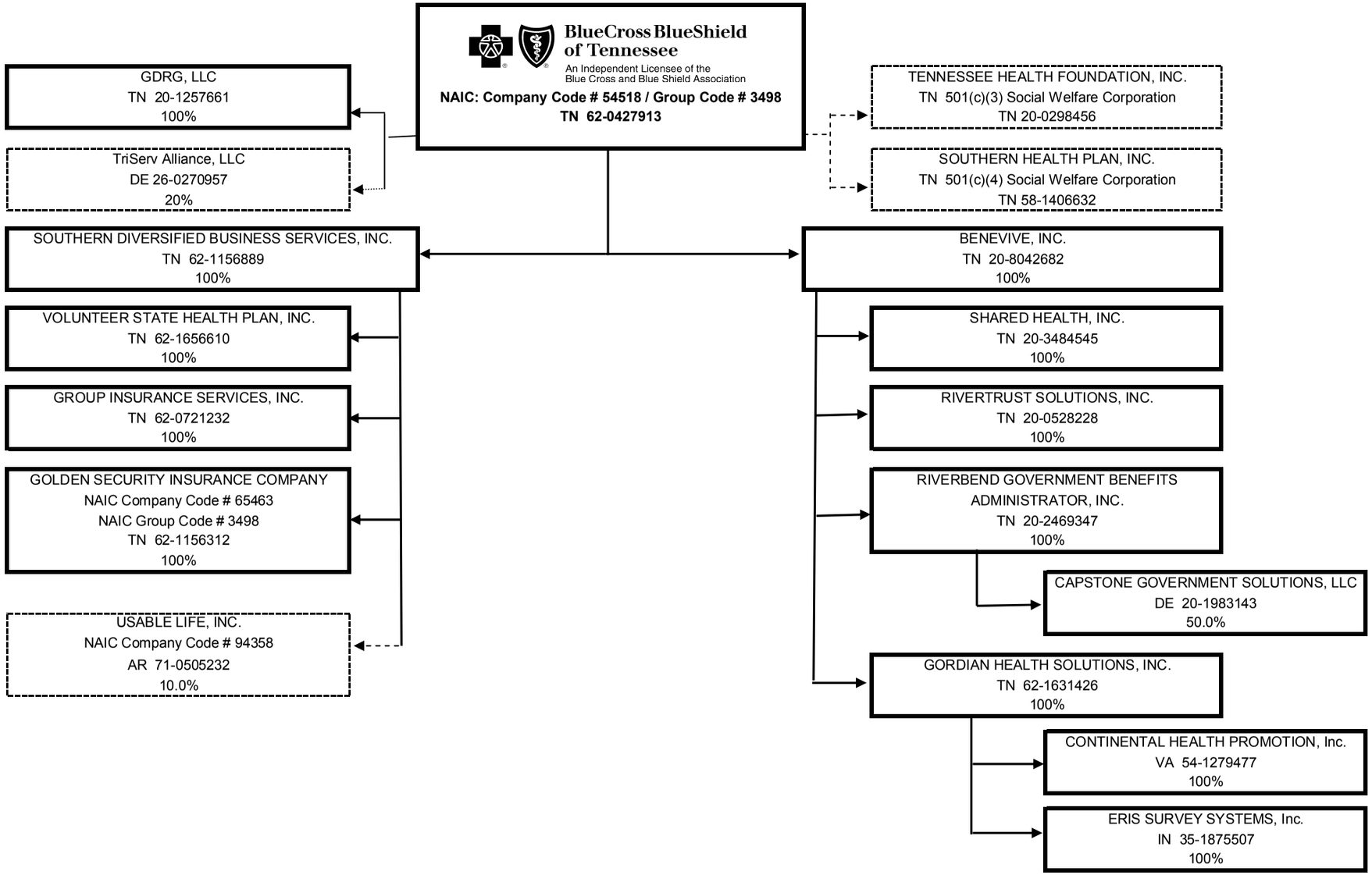
		Direct Business Only							
	1	2	3	4	5	6	7	8	9
State, Etc.	Is Insurer Licensed (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama (AL)	No								
2. Alaska (AK)	No								
3. Arizona (AZ)	No								
4. Arkansas (AR)	No								
5. California (CA)	No								
6. Colorado (CO)	No								
7. Connecticut (CT)	No								
8. Delaware (DE)	No								
9. District of Columbia (DC)	No								
10. Florida (FL)	No								
11. Georgia (GA)	No								
12. Hawaii (HI)	No								
13. Idaho (ID)	No								
14. Illinois (IL)	No								
15. Indiana (IN)	No								
16. Iowa (IA)	No								
17. Kansas (KS)	No								
18. Kentucky (KY)	No								
19. Louisiana (LA)	No								
20. Maine (ME)	No								
21. Maryland (MD)	No								
22. Massachusetts (MA)	No								
23. Michigan (MI)	No								
24. Minnesota (MN)	No								
25. Mississippi (MS)	No								
26. Missouri (MO)	No								
27. Montana (MT)	No								
28. Nebraska (NE)	No								
29. Nevada (NV)	No								
30. New Hampshire (NH)	No								
31. New Jersey (NJ)	No								
32. New Mexico (NM)	No								
33. New York (NY)	No								
34. North Carolina (NC)	No								
35. North Dakota (ND)	No								
36. Ohio (OH)	No								
37. Oklahoma (OK)	No								
38. Oregon (OR)	No								
39. Pennsylvania (PA)	No								
40. Rhode Island (RI)	No								
41. South Carolina (SC)	No								
42. South Dakota (SD)	No								
43. Tennessee (TN)	Yes			(63,752)				(63,752)	
44. Texas (TX)	No								
45. Utah (UT)	No								
46. Vermont (VT)	No								
47. Virginia (VA)	No								
48. Washington (WA)	No								
49. West Virginia (WV)	No								
50. Wisconsin (WI)	No								
51. Wyoming (WY)	No								
52. American Samoa (AS)	No								
53. Guam (GU)	No								
54. Puerto Rico (PR)	No								
55. U.S. Virgin Islands (VI)	No								
56. Northern Mariana Islands (MP)	No								
57. Canada (CN)	No								
58. Aggregate other alien (OT)	XXX								
59. Subtotal	XXX			(63,752)				(63,752)	
60. Reporting entity contributions for Employee Benefit Plans	XXX								
61. Total (Direct Business)	(a) 1			(63,752)				(63,752)	
DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX								

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

	RESPONSE
1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement

00000200736500003 (NAIC code not entered) 2007 Document Code: 365

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104. Due State of Tennessee				3,645,313
2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196)				3,645,313

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
0604. Payments - Meharry	XXX	(6,500,000)	(9,330,000)
0605. Payments - Trauma Center	XXX	(13,787,600)	
0606. Payments - Essential Provider Payment	XXX	(75,000,000)	(125,000,000)
0697. Summary of remaining write-ins for Line 6 (Lines 0604 through 0696)	XXX	(95,287,600)	(134,330,000)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year
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 - PART 2

Showing all Real Estate ACQUIRED During the Current Quarter

1	Location		4	5	6	7	8	9
	2	3						
Description of Property	City	State	Date Acquired	Name of Vendor	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Expended for Additions and Permanent Improvements
NONE								
9999999 Totals								

SCHEDULE A - PART 3

Showing All Real Estate SOLD During the Quarter, Including Payments During the Final Year on "Sales Under Contract"

1	Location		4	5	6	7	8	9	10	11	12	13	14	15	16	17
	2	3														
Description of Property	City	State	Disposal Date	Name of Purchaser	Actual Cost	Book/Adjusted Carrying Value Less Encumbrances Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Expended for Additions, Permanent Improvements and Changes in Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Amounts Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale	Gross Income Earned Less Interest Incurred on Encumbrances	Taxes, Repairs and Expenses Incurred
NONE																
9999999 Totals																

SCHEDULE B - PART 1

Showing all Mortgage Loans ACQUIRED during the Current Quarter

1	Location		4	5	6	7	8	9	10	11	12
	2	3									
Loan Number	City	State	Loan Type	Actual Cost	Date Acquired	Rate of Interest	Book Value/Recorded Investment Excluding Accrued Interest	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Value of Land and Buildings	Date of Last Appraisal or Valuation
NONE											
9999999 GRAND TOTAL					XXX	XXX					XXX

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, Transferred or Paid in Full During the Current Quarter

1	Location		4	5	6	7	8	9	10	11	12	13
	2	3										
Loan Number	City	State	Loan Type	Date Acquired	Book Value/ Recorded Investment Excluding Accrued Interest Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book Value/ Recorded Investment Excluding Accrued Interest at Disposition	Consideration Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale
NONE												
9999999 Totals												

SCHEDULE BA - PART 1

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

1	2	Location		5	6	7	8	9	10	11	12	13	14	15	16
		3	4												
CUSIP Identification	Name or Description	City	State	Name of Vendor or General Partner	NAIC Designation	Date Originally Acquired	Type and Strategy	Actual Cost	Amount of Encumbrances	Book/ Adjusted Carrying Value Less Encumbrances	Fair Value	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Commitment for Additional Investment	Percentage of Ownership
NONE															
4199999 Totals															XXX

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Current Quarter

1	2	Location		5	6	7	8	9	10	11	12	13	14	15
		3	4											
CUSIP Identification	Name or Description	City	State	Name of Purchaser or Nature of Disposal	Date Originally Acquired	Book/Adjusted Carrying Value Less Encumbrances, Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book/Adjusted Carrying Value Less Encumbrances on Disposal	Consideration Received	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Investment Income
NONE														
4199999 Totals														

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
				NONE					
7499999 Total - Bonds, Preferred and Common Stocks					XXX		XXX		XXX

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

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
NONE																					
7499999 Total - Bonds, Preferred and Common Stocks					XXX		XXX													XXX	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 and Insurance Futures Options Owned at Current Statement Date

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

SCHEDULE DB - PART B - SECTION 1

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

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

SCHEDULE DB - PART C - SECTION 1

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

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

SCHEDULE DB - PART D - SECTION 1

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

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

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
							6	7	8	
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
open depositories										
Regions Bank	601 Market Street, Chattanooga, TN 37402						4,437,475	4,437,704	3,044,878	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						5,832,286	761,616	2,617,761	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						3,148,514	872,612	1,735,679	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						8,695,740	667,422	635,505	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						179,721	188,841	191,097	X X X
										X X X
0199998 Deposits in .....1 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X	X X X			119,321	4,728	3,473	X X X
0199999 Totals - Open Depositories			X X X	X X X			22,413,057	6,932,923	8,228,393	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X	X X X						X X X
0299999 Totals - Suspended Depositories			X X X	X X X						X X X
0399999 Total Cash On Deposit			X X X	X X X			22,413,057	6,932,923	8,228,393	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			22,413,057	6,932,923	8,228,393	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Gross Investment Income
NONE							
0199999					.....	.....	.....

00000200736500003 (NAIC code not entered) 2007 Document Code: 365

MEDICARE PART D COVERAGE SUPPLEMENT

Net of Reinsurance

For the Quarter Ended September 30, 2007

NAIC Group Code: 0000 **NAIC Company Code: 00000**

	Individual Coverage		Group Coverage		5
	1 Insured	2 Uninsured	3 Insured	4 Uninsured	Total Cash
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)			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	

NONE

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

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EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

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

EXHIBIT 3 - HEALTH CARE RECEIVABLES

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

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

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

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
BlueCross BlueShield of Tennessee	ITS claims, bonus accrual and miscellaneous	7,913,880	1,198,619	6,715,261
0199999 Total - Individually listed payables	XXX	7,913,880	1,198,619	6,715,261
0299999 Payables not individually listed	XXX			
0399999 Total gross payables	XXX	7,913,880	1,198,619	6,715,261