ANNUAL STATEMENT

Including Index and Supplements

OF THE

Tennessee Behavioral Health, Inc.

Of

Nashville

in the state of TN

to the Insurance Department

of the State of

For the Year Ended

December 31, 2003

2003

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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2003

of the Condition and Affairs of the

Tennessee Behavioral Health, Inc.

NAIC Group Code..... , (Current Period) (Prior Period) NAIC Company Code..... 95780 Employer's ID Number..... 62-1621636

Organized under the Laws of TN State of Domicile or Port of Entry TN Country of Domicile

Licensed as Business Type

Is HMO Federally Qualified? Yes [ ] No [ ]

Date Incorporated or Organized..... December 15, 1995 Date Commenced Business..... July 1, 1996

Statutory Home Office	222 Second Ave. N. Suite 220 ..... Nashville ..... TN ..... 37201 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	222 Second Ave. N. Suite 220 ..... Nashville ..... TN ..... 37201 *(Street and Number) (City or Town, State and Zip Code)*	615-313-4463 *(Area Code) (Telephone Number)*
Mail Address	222 Second Ave. N. Suite 220 ..... Nashville ..... TN ..... 37201 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	222 Second Ave. N. Suite 220 ..... Nashville ..... TN ..... 37201 *(Street and Number) (City or Town, State and Zip Code)*	615-313-4463 *(Area Code) (Telephone Number)*
Internet Website Address		
Statutory Statement Contact	Donnie Pennington *(Name)*	615-313-4463 *(Area Code) (Telephone Number) (Extension)*
	drpennington@magellanhealth.com *(E-Mail Address)*	*615-313-4481* *(Fax Number)*
Policyowner Relations Contact	.... *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number) (Extension)*

OFFICERS

President ..... Russell C. Petrella Treasurer ..... Secretary ..... Andrew M. Cummings

VICE PRESIDENTS

Andrew M. Cummings

DIRECTORS OR TRUSTEES

Russell C. Petrella

State of.....Tennessee
County of.....Davidson

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of 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.

Signature Russell C. Petrella	Signature Andrew M. Cummings	Signature
(Printed Name) President	(Printed Name) Secretary	(Printed Name)

Subscribed and sworn to before me this

.....day of ....., 2004

.....

a. Is this an original filing? Yes [X] No [ ]

b. If no: 1. State the amendment number
2. Date filed.....
3. Number of pages attached.....

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	3,212,109		3,212,109	3,235,781
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks			0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)			0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....13,090,323, Sch. E-Part 1), cash equivalents ($.....0, Sch. E-Part 2) and short-term investments ($.....0 Sch. DA)	13,090,323		13,090,323	5,016,692
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)			0	
8. Receivable for securities			0	
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	16,302,432	0	16,302,432	8,252,473
11. Investment income due and accrued	47,500		47,500	60,469
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in course of collection	5,645,562		5,645,562	1,073,021
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
12.3 Accrued retrospective premiums			0	
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers			0	
13.2 Funds held by or deposited with reinsured companies			0	
13.3 Other amounts receivable under reinsurance contracts			0	
14. Amounts receivable relating to uninsured plans			0	
15.1 Current federal and foreign income tax recoverable and interest thereon			0	
15.2 Net deferred tax asset			0	
16. Guaranty funds receivable or on deposit			0	
17. Electronic data processing equipment and software			0	
18. Furniture and equipment, including health care delivery assets ($.....0)			0	
19. Net adjustment in assets and liabilities due to foreign exchange rates			0	
20. Receivable from parent, subsidiaries and affiliates	56,953	56,953	0	4,127,806
21. Health care ($.....95,207) and other amounts receivable	95,207	60,705	34,502	1,343
22. Other assets nonadmitted			0	
23. Aggregate write-ins for other than invested assets	1,566,742	7,551	1,559,191	720,466
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	23,714,396	125,209	23,589,187	14,235,578
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	23,714,396	125,209	23,589,187	14,235,578

DETAILS OF WRITE-INS

0901.			0	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0999) (Line 9 above)	0	0	0	0
2301. Risk Share Receivable	1,546,388		1,546,388	708,269
2302. ASO Receivables	12,803		12,803	12,197
2303. Charter Receivable	7,551	7,551	0	
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	1,566,742	7,551	1,559,191	720,466

LIABILITIES, CAPITAL AND SURPLUS

	Current Period 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1. Claims unpaid (less $.....0 reinsurance ceded)	7,255,890		7,255,890	5,987,160
2. Accrued medical incentive pool and bonus amounts			0	
3. Unpaid claims adjustment expenses			0	
4. Aggregate health policy reserves			0	
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	3,156,328		3,156,328	2,579,603
9. General expenses due or accrued	129,606		129,606	213,676
10.1 Current federal and foreign income tax payable and interest thereon (including $.....0 on realized gains (losses))			0	
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable			0	
12. Amounts withheld or retained for the account of others			0	
13. Remittances and items not allocated			0	
14. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates	1,734,200		1,734,200	7,243
16. Payable for securities			0	
17. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
18. Reinsurance in unauthorized companies			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	
20. Liability for amounts held under uninsured accident and health plans			0	
21. Aggregate write-ins for other liabilities (including $.....0 current)	4,754,191	0	4,754,191	562,817
22. Total liabilities (Lines 1 to 21)	17,030,215	0	17,030,215	9,350,499
23. Common capital stock	XXX	XXX	1,000	1,000
24. Preferred capital stock	XXX	XXX		
25. Gross paid in and contributed surplus	XXX	XXX	10,882,036	9,067,036
26. Surplus notes	XXX	XXX	11,168,341	11,168,341
27. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
28. Unassigned funds (surplus)	XXX	XXX	(15,492,405)	(15,351,298)
29. Less treasury stock at cost:				
29.1 .....0.000 shares common (value included in Line 23 $.....0)	XXX	XXX		
29.2 .....0.000 shares preferred (value included in Line 24 $.....0)	XXX	XXX		
30. Total capital and surplus (Lines 23 to 28 minus Line 29)	XXX	XXX	6,558,972	4,885,079
31. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	23,589,187	14,235,578

DETAILS OF WRITE-INS

2101. Premium Tax Payable	628,321		628,321	562,817
2102. Unclaimed Property	109,108		109,108	
2103. Payable to State of Tennessee	4,016,762		4,016,762	
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	4,754,191	0	4,754,191	562,817
2701.	XXX	XXX		
2702.	XXX	XXX		
2703.	XXX	XXX		
2798. Summary of remaining write-ins for Line 27 from overflow page	XXX	XXX	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	5,101,318	5,123,461
2. Net premium income (including $.....0 non-health premium income)	XXX	118,814,844	101,306,947
3. Change in unearned premium reserves and reserve 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	993,236	955,313
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	119,808,080	102,262,260
Hospital and Medical:			
9. Hospital/medical benefits		54,188,737	41,202,280
10. Other professional services		54,773,198	47,884,988
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)	0	108,961,935	89,087,268
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)	0	108,961,935	89,087,268
19. Non-health claims			
20. Claims adjustment expenses		867,225	870,989
21. General administrative expenses		11,184,141	10,612,365
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)	0	121,013,301	100,570,622
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(1,205,221)	1,691,638
25. Net investment income earned		178,058	281,524
26. Net realized capital gains or (losses)			
27. Net investment gains or (losses) (Lines 25 plus 26)	0	178,058	281,524
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	0	0	0
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	(1,027,163)	1,973,162
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	(1,027,163)	1,973,162

DETAILS OF WRITE-INS

0601. Risk Share Revenue	XXX	993,236	955,313
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	993,236	955,313
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	4,885,079	3,414,964
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	(1,027,163)	1,973,162
35. Change in valuation basis of aggregate policy and claim reserves		
36. Net unrealized capital gains and losses		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	886,056	(1,003,047)
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	1,815,000	500,000
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	1,673,893	1,470,115
49. Capital and surplus end of reporting period (Line 33 plus 48)	6,558,972	4,885,079

DETAILS OF WRITE-INS

4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0

Tennessee Behavioral Health, Inc.
BHO TennCare Operations Statement of Revenue and Expenses
For the Year Ending December 31, 2003
Report 2A

	Current Quarter	Year to Date Total
Member Months	1,286,858	5,101,318
Revenues		
TennCare Capitation	31,384,394	118,814,844
Risk Share	(605,295)	993,236
Investment (Interest)	30,746	178,058
Other Revenues	0	0
Total Revenues	30,809,845	119,986,138
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	7,395,281	33,259,135
Inpatient Substance Abuse Treatment and Detox	411,291	2,184,590
Outpatient Mental Health Services	6,852,672	25,193,445
Outpatient Substance Abuse Treatment and Detox	554,703	2,039,325
Housing/Residential Treatment	2,815,338	10,746,313
Specialized Crisis Services	1,396,961	5,435,362
Psychiatric Rehab and Support Services	466,011	1,813,177
Case Management	6,007,215	23,020,445
Forensics		
Other Judicial		
Pharmacy		
Lab Services	39,618	129,375
Transportation	589,388	2,744,998
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services	665,075	2,395,770
PCP and Specialists Services		
Subtotal	27,193,553	108,961,935
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	27,193,553	108,961,935
Claim Adjustment Expense	218,765	867,225
Administration [1]		
Rent	236,732	556,771
Salaries and Wages	1,634,545	6,345,582
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	8,506	40,810
Medical examination fees		
Utilization management		
Certifications and accreditation	10,852	19,912
Auditing, actuarial and other consulting services	17,293	742,660
Traveling expenses	16,107	159,355
Marketing and advertising	18,470	56,773
Postage, express, telegraph and telephone	118,488	383,232
Printing and stationary	118,465	230,626
Occupancy, depreciation and amortization	70,128	73,227
Rental of equipment	(36,112)	44,999
Outsourced services includes EDP, claims, and other services		
Books and periodicals		
Boards, bureaus and association fees	(1,683)	13,342
Insurance, except on real estate	0	
Collection and bank service charges	3,516	24,426
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes		
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	618,334	2,416,377
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	2,749	76,049
Investment expenses not included elsewhere		
Write-Ins		
Total Administrative Expenses	2,836,390	11,184,141
Total Expenses	30,248,708	121,013,301
Net Income (Loss)	561,137	(1,027,163)

[1] The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	118,990,300	103,776,048
2. Net investment income	225,567	321,735
3. Miscellaneous income		
4. Total (Lines 1 through 3)	119,215,867	104,097,783
5. Benefit and loss related payments	112,946,368	109,310,807
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions		
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) $.....0 net tax on capital gains (losses)		
10. Total (Lines 5 through 9)	112,946,368	109,310,807
11. Net cash from operations (Line 4 minus Line 10)	6,269,499	(5,213,024)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,600,000	
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,600,000	0
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,610,868	
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)	2,610,868	0
14. Net increase (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(10,868)	0
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	1,815,000	500,000
16.3 Borrowed funds received		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	1,815,000	500,000
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17)	8,073,631	(4,713,024)
19. Cash and short-term investments:		
19.1 Beginning of year	5,016,692	9,729,716
19.2 End of year (Line 18 plus Line 19.1)	13,090,323	5,016,692

ANALYSIS OF OPERATION BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Net premium income	118,814,844							118,814,844					
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of $.....0 medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	993,236	0	0	0	0	0	0	993,236	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	119,808,080	0	0	0	0	0	0	119,808,080	0	0	0	0	0
8. Hospital/medical benefits	54,188,737							54,188,737					XXX
9. Other professional services	54,773,198							54,773,198					XXX
10. Outside referrals	0												XXX
11. Emergency room and out-of-area	0												XXX
12. Prescription drugs	0												XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0												XXX
15. Subtotal (Lines 8 to 14)	108,961,935	0	0	0	0	0	0	108,961,935	0	0	0	0	XXX
16. Net reinsurance recoveries	0												XXX
17. Total hospital and medical (Lines 15 minus 16)	108,961,935	0	0	0	0	0	0	108,961,935	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses	867,225							867,225					
20. General administrative expenses	11,184,141							11,184,141					
21. Increase in reserves for accident and health contracts	0												XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	121,013,301	0	0	0	0	0	0	121,013,301	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(1,205,221)	0	0	0	0	0	0	(1,205,221)	0	0	0	0	0
DETAILS OF WRITE-INS													
0501. Risk Share Revenue	993,236							993,236					XXX
0502.	0												XXX
0503.	0												XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	993,236	0	0	0	0	0	0	993,236	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0												XXX
1302.	0												XXX
1303.	0												XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				0
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan				0
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid	118,814,844			118,814,844
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	118,814,844	0	0	118,814,844
13. Life				0
14. Property/casualty				0
15. Totals (Lines 12 to 14)	118,814,844	0	0	118,814,844

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Payments during the year:													
1.1 Direct	107,693,205							107,693,205					
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	107,693,205	0	0	0	0	0	0	107,693,205	0	0	0	0	0
2. Paid medical incentive pools and bonuses	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	7,255,890							7,255,890					
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	7,255,890	0	0	0	0	0	0	7,255,890	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0												
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0												
6. Amounts recoverable from reinsurers December 31, current year	0												
7. Claim liability December 31, prior year from Part 2A:													
7.1 Direct	5,987,160							5,987,160					
7.2 Reinsurance assumed	0												
7.3 Reinsurance ceded	0												
7.4 Net	5,987,160	0	0	0	0	0	0	5,987,160	0	0	0	0	0
8. Claim reserve December 31, prior year from Part 2D:													
8.1 Direct	0												
8.2 Reinsurance assumed	0												
8.3 Reinsurance ceded	0												
8.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year	0												
10. Amounts recoverable from reinsurers December 31, prior year	0												
11. Incurred benefits:													
11.1 Direct	108,961,935	0	0	0	0	0	0	108,961,935	0	0	0	0	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
11.4 Net	108,961,935	0	0	0	0	0	0	108,961,935	0	0	0	0	0
12. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Reported in process of adjustment:													
1.1 Direct	0												
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct	7,255,890							7,255,890					
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	0												
2.4 Net	7,255,890	0	0	0	0	0	0	7,255,890	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct	0												
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct	7,255,890	0	0	0	0	0	0	7,255,890	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	7,255,890	0	0	0	0	0	0	7,255,890	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)					0	
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid	5,570,046	102,123,159	444,481	6,811,409	6,014,527	5,987,160
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	5,570,046	102,123,159	444,481	6,811,409	6,014,527	5,987,160
10. Other non-health					0	
11. Medical incentive pools, accruals and disbursements					0	
12. Totals (Lines 9 to 11)	5,570,046	102,123,159	444,481	6,811,409	6,014,527	5,987,160

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	12,772	429	1	1	
2. 1999	100,031	10,841	92	7	74
3. 2000	XXX	102,507	11,436	1,381	329
4. 2001	XXX	XXX	116,997	6,307	314
5. 2002	XXX	XXX	XXX	86,445	4,853
6. 2003	XXX	XXX	XXX	XXX	102,123

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	13,446	434	1	1	
2. 1999	111,819	10,888	178	7	74
3. 2000	XXX	116,814	13,123	1,754	329
4. 2001	XXX	XXX	126,265	6,437	368
5. 2002	XXX	XXX	XXX	91,929	5,244
6. 2003	XXX	XXX	XXX	XXX	108,934

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1999	XXX			XXX	0	0.0			0	0.0
2. 1999	125,431	111,045	251	0.2	111,296	88.7			111,296	88.7
3. 2000	135,417	115,653	254	0.2	115,907	85.6			115,907	85.6
4. 2001	137,878	123,618	986	0.8	124,604	90.4	54		124,658	90.4
5. 2002	101,310	91,298	706	0.8	92,004	90.8	391		92,395	91.2
6. 2003	118,815	102,123	763	0.7	102,886	86.6	6,811		109,697	92.3
7. Total (Lines 1 through 6)	XXX	543,737	2,960	XXX	546,697	XXX	7,256	0	553,953	XXX
8. Total (Lines 2 through 6)	618,851	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

U & I Ex.-Pt.2C-Sn A-Paid Claims-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	CUmulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	12,772	429	1	1	
2. 1999	100,031	10,841	92	7	74
3. 2000	XXX	102,507	11,436	1,381	329
4. 2001	XXX	XXX	116,997	6,307	314
5. 2002	XXX	XXX	XXX	86,445	4,853
6. 2003	XXX	XXX	XXX	XXX	102,123

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	13,446	434	1	1	
2. 1999	111,819	10,888	178	7	74
3. 2000	XXX	116,814	13,123	1,754	329
4. 2001	XXX	XXX	126,265	6,437	368
5. 2002	XXX	XXX	XXX	91,929	5,244
6. 2003	XXX	XXX	XXX	XXX	108,934

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1999	XXX			XXX	0	XXX			0	XXX
2. 1999	125,431	111,045	251	0.2	111,296	88.7			111,296	88.7
3. 2000	135,417	115,653	254	0.2	115,907	85.6			115,907	85.6
4. 2001	137,878	123,618	986	0.8	124,604	90.4	54		124,658	90.4
5. 2002	101,310	91,298	706	0.8	92,004	90.8	391		92,395	91.2
6. 2003	118,815	102,123	763	0.7	102,886	86.6	6,811		109,697	92.3
7. Total (Lines 1 through 6)	XXX	543,737	2,960	XXX	546,697	XXX	7,256	0	553,953	XXX
8. Total (Lines 2 through 6)	618,851	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE

U & I Ex.-Pt.2D
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent ($.....0 for occupancy of own building)		556,771		556,771
2. Salaries, wages and other benefits		6,345,582		6,345,582
3. Commissions (less $.....0 ceded plus $.....0 assumed)				0
4. Legal fees and expenses		40,810		40,810
5. Certifications and accreditation fees		19,912		19,912
6. Auditing, actuarial and other consulting services		742,660		742,660
7. Traveling expenses		159,355		159,355
8. Marketing and advertising		56,773		56,773
9. Postage, express and telephone		383,232		383,232
10. Printing and office supplies		230,626		230,626
11. Occupancy, depreciation and amortization		73,227		73,227
12. Equipment		44,999		44,999
13. Cost or depreciation of EDP equipment and software				0
14. Outsourced services including EDP, claims, and other services				0
15. Boards, bureaus and association fees		13,342		13,342
16. Insurance, except on real estate				0
17. Collection and bank service charges		24,426		24,426
18. Group service and administration fees				0
19. Reimbursements by uninsured accident and health plans				0
20. Reimbursements from fiscal intermediaries				0
21. Real estate expenses				0
22. Real estate taxes				0
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes				0
23.2 State premium taxes		2,416,377		2,416,377
23.3 Regulatory authority licenses and fees				0
23.4 Payroll taxes				0
23.5 Other (excluding federal income and real estate taxes)		76,049		76,049
24. Investment expenses not included elsewhere				0
25. Aggregate write-ins for expenses	867,225	0	0	867,225
26. Total expenses incurred (Lines 1 to 25)	867,225	11,184,141	0	(a) 12,051,366
27. Less expenses unpaid December 31, current year		129,606		129,606
28. Add expenses unpaid December 31, prior year		213,676		213,676
29. Amounts receivable relating to uninsured accident and health plans, prior year				0
30. Amounts receivable relating to uninsured accident and health plans, current year				0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	867,225	11,268,211	0	12,135,436

DETAILS OF WRITE-INS

2501. Claims processing expense allocated from parent	867,225			867,225
2502.				0
2503.				0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	867,225	0	0	867,225

(a) Includes management fees of $.....0 to affiliates and $.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 214,739	167,230
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a)	
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash/short-term investments	(e) 59,451	59,451
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	274,190	226,681
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		0
17.	Net investment income (Line 10 minus Line 16)		226,681

DETAILS OF WRITE-INS

0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....0 accrual of discount less $.....34,540 amortization of premium and less $.....14,083 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1.	U.S. government bonds					0
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)					0
1.3	Bonds of affiliates					0
2.1	Preferred stocks (unaffiliated)					0
2.11	Preferred stocks of affiliates					0
2.2	Common stocks (unaffiliated)					0
2.21	Common stocks of affiliates					0
3.	Mortgage loans					0
4.	Real estate					0
5.	Contract loans					0
6.	Cash/short-term investments					0
7.	Derivative instruments					0
8.	Other invested assets					0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	0	0	0	0	0

NONE

DETAILS OF WRITE-INS

0901.						0
0902.						0
0903.						0
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0	0

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Change for Year (Increase) or Decrease
1. Summary of Items, Page 2, Lines 12 to 20, Column 2	117,658	13,321	(104,337)
2. Other nonadmitted assets:			
2.1 Bills receivable			0
2.2 Leasehold improvements			0
2.3 Cash advanced to or in hands of officers and agents			0
2.4 Loans on personal security, endorsed or not			0
2.5 Commuted commissions			0
3. Total (Lines 2.1 to 2.5)	0	0	0
4. Aggregate write-ins for other than invested assets	7,551	997,944	990,393
5. Total (Line 1 plus Lines 3 and 4)	125,209	1,011,265	886,056

DETAILS OF WRITE-INS

0401. Charter Receivable	7,551	7,218	(333)
0402. Provider Recoveries		990,726	990,726
0403.			0
0498. Summary of remaining write-ins for Line 4 from overflow page	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	7,551	997,944	990,393

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations						
2. Provider service organizations						
3. Preferred provider organizations						
4. Point of service						
5. Indemnity only						
6. Aggregate write-ins for other lines of business	439,915	430,901	418,787	427,274	430,043	5,101,318
7. Total	439,915	430,901	418,787	427,274	430,043	5,101,318

DETAILS OF WRITE-INS

0601. Behavioral Health Organization	439,915	430,901	418,787	427,274	430,043	5,101,318
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	439,915	430,901	418,787	427,274	430,043	5,101,318

EXHIBIT 3 - 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
A&H Premiums Due and Unpaid						
0499999. Premiums due and unpaid from Medicaid entities	4,778,768	1,738,726	590,782	(1,462,714)		5,645,562
0599999. Accident and health premiums due and unpaid (Page 2, Line 12)	4,778,768	1,738,726	590,782	(1,462,714)	0	5,645,562

EXHIBIT 4 - 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
Health Care Receivables						
Helen Ross McNabb				1,389	1,389	
Family Guidance Institute				2,053	2,053	
Tennessee Christian			15,092	19,410		34,502
Ridgeview	22,904	22,898	11,461		57,263	
0599999. Gross health care receivables	22,904	22,898	26,553	22,852	60,705	34,502

EXHIBIT 5 - 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
Claims Unpaid (Reported)						
0599999. Unreported claim and other claim reserves						7,255,890
0799999. Total claims unpaid						7,255,890

EXHIBIT 6 - 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
Amounts Due From Parent, Subsidiaries and Affiliates							
Premier Behavioral Systems				56,953	56,953		
0199999. Individually listed receivables	0	0	0	56,953	56,953	0	0
0399999. Total gross amounts receivable	0	0	0	56,953	56,953	0	0

EXHIBIT 7 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
Amounts Due To Parent, Subsidiaries and Affiliates				
Magellan Behavioral Health		178,331	178,331	
Advocare of Tennessee		1,555,869	1,555,869	
0199999. Individually listed payables		1,734,200	1,734,200	0
0399999. Total gross payables		1,734,200	1,734,200	0

EXHIBIT 8 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total	3 Total Members Covered	4 Column 3 as a % of Total	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	51,662,622	48.0		0.0		51,662,622
2. Intermediaries		0.0		0.0		
3. All other providers	535,338	0.5		0.0		535,338
4. Total capitation payments	52,197,960	48.5	0	0.0	0	52,197,960
Other Payments:						
5. Fee-for-service	32,324,739	30.0	XXX	XXX		32,324,739
6. Contractual fee payments	18,969,134	17.6	XXX	XXX		18,969,134
7. Bonus/withhold arrangements - fee-for-service		0.0	XXX	XXX		
8. Bonus/withhold arrangements - contractual fee payments		0.0	XXX	XXX		
9. Non-contingent salaries		0.0	XXX	XXX		
10. Aggregate cost arrangements		0.0	XXX	XXX		
11. All other payments	4,201,372	3.9	XXX	XXX		4,201,372
12. Total other payments	55,495,245	51.5	XXX	XXX	0	55,495,245
13. Total (Line 4 plus Line 12)	107,693,205	100.0	XXX	XXX	0	107,693,205

EXHIBIT 8 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC

NONE

EXHIBIT 9 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

Description	1 Cost	2 Improvements	3 Accumulated Depreciation	4 Book Value Less Encumbrances	5 Assets Not Admitted	6 Net Admitted Assets
1. Administrative furniture and equipment						0
2. Medical furniture, equipment and fixtures						0
3. Pharmaceuticals and surgical supplies						0
4. Durable medical equipment						0
5. Other property and equipment						0
6. Total	0	0	0	0	0	0

NONE

NOTES TO FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

The accompanying financial statements of Tennessee Behavioral Health, Inc. ("TBH" or the "Company") have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the HMO Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

USE OF ESTIMATES IN PREPARATION OF THE FINANCIAL STATEMENTS
The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

CASH AND SHORT TERM INVESTMENTS:
Cash and short-term investments consist of cash on hand and in banks, along with commercial paper whose maturities at time of acquisition were one year or less and whose carrying value approximate their fair market value.

REVENUE AND PREMIUMS RECEIVABLE:
Capitation payments are recognized as revenue in the month due to the Company. The State of Tennessee TennCare mental health services program ("TennCare") retains a 10% withhold on premiums paid to TBH pursuant to Section 4.7.2 of the Contract. The purpose of this withhold is to assure the Contractor's compliance with all terms and conditions of the Contract.

In February 2003, the Company signed Amendment Five to the Contact, which changed the payment methodology beginning in February 2003. Pursuant to this amendment, TennCare shall not release the care and premium tax portions of the monthly funding until invoices for disbursement are approved by TDCI.

Per Section 4.7.1.2 of the Contact, the Company elected to participate in a profit/loss risk banding arrangement with the State of Tennessee. Effective January 2002, the company elected to use profit/loss risk banding option 2, under which losses up to ten percent are shared equally by the Company and the State. Risk share revenue is recognized on a monthly basis consistent with the option 2. The receivable related to the profit/loss risk banding is evaluated monthly, based on current estimates of medical costs. Based on this review, any required adjustment for prior period risk share revenue is recognized.

TDCI has taken the position that the reimbursements relating to the Enhanced Children's Services received during fiscal year's 2002 and 2003 should be recorded as deferred revenue until services are provided. Consistent with this determination, the company initially defers all such funding. Revenue related to the funding source is recognized on a monthly basis as funding is sent to providers.

INVESTMENTS:
Investment securities at December 31, 2003, consist of one U.S. Treasury Note and a Federal Home Loan Bank Note whose maturities at time of acquisition were greater than one year and whose carrying value approximates the fair market value.

MEDICAL CLAIMS PAYABLE:
The liability for medical claims payable includes estimated medical costs as of December 31, 2003 and expenses necessary to cover the ultimate net costs of investigating and settling all claims. The estimated medical claims payable includes the accumulation of estimates for claims reported prior to year-end and estimates of claims incurred but not reported.

Medical claims payable is computed in accordance with generally accepted actuarial practices and is based upon authorized healthcare services and past claims payment experience, together with historical experience and management judgement. Estimates are monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected by the Company in current operations.

2 Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Tennessee. Effective January 1, 2001, the State of Tennessee required that insurance companies domiciled in the State of Tennessee to prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Tennessee insurance commissioner.

There have been no significant changes to any estimates, contingent liabilities, leases or any other subsequebt event that would impact the presentation of these statements.

3 Business Combinations and Goodwill

None

4 Discontinued Operations

None

5 Investments

The company held no Mortgage Loans, Restructured Debt, Reverse Mortgages, Loan Backed Securities or Repurchase Agreements.

NOTES TO FINANCIAL STATEMENTS

6 Joint Ventures, Partnerships and Limited Liability Companies

None

7 Investment Income

No investment income was excluded from Surplus.

8 Derivative Instruments

None

9 Income Taxes

For federal and state income tax reporting purposes, the Company's operations are included in the consolidated federal and combined Tennessee state tax returns of Magellan Health Services, Inc. ("Magellan"), respectively.

The Company maintains federal and state tax sharing arrangements with Magellan . A written arrangement has not been executed. Through this arrangement, Magellan has not allocated any taxes to the Company because of its net previous losses. The current arrangement calls for an allocation based on Magellan's effective tax rate before reflecting the allocation and after affecting for permanent differences.

10 Information Concerning Parent, Subsidiaries and Affiliates

The Company was incorporated and organized in 1995 as a behavioral health organization to apply for participation in the TennCare program. The Company entered into a contract with the state of Tennessee effective July 1, 1996 with the contract, as amended, ending on December 31, 2003. The State of Tennessee (the State) has the option for renewal for up to an additional six-month period under the same terms and conditions, unless otherwise terminated by the Company pursuant to the terms of the contract. The State generally regulates the Company as a Health Maintenance Organization and the Company was licensed during October 2002 as a prepaid limited health service organization. The Company's contract with the State represents its only customer.

During 2003, TennCare paid the Company a monthly capitation amount based on the number of enrollees in the Company's managed care plan. These payments were used to pay for behavioral health services provided to enrollees under various provider arrangements, including agreements with community mental health centers, state regional mental health institutes and to pay for the administrative costs associated with the program.

The Company contracts with AdvoCare of Tennessee, Inc. ("AdvoCare"), a related party, to manage the operations, administrative services and clinical services related to the provision of all mental health benefits, to provide case management services and to arrange primary care and outpatient services. For the year ended December 31, 2003, the Company incurred approximately $8,366,162 related to these services .

The Company contracts with Magellan Behavioral Health Systems, LLC. to process and pay medical claims. For the year ended December 31, 2003 the Company incurred approximately $867,225 related to these services .

The Company is a wholly owned subsidiary of Magellan Behavioral Health, Inc. (the "Parent"), which is directly owned by Magellan. The company holds no investments in any affiliated companies and makes no guarantees nor does it partake in any undertaking for the benefit of any affiliate.

The Parent has experienced certain defaults and events of default regarding its debt obligations and was faced with pending liquidity shortfalls. On March 11, 2003, Magellan Health Services, Inc., (the Parent) filed for voluntary relief under Chapter 11 of the U.S. Bankruptcy Code. The Company was not included in this filing. On October 8, 2003, the United States Bankruptcy Court approved the Parent's plan of reorganization.

11 Debt

The Company has entered into a Surplus Note agreement with Merit Behavioral Care of Tennessee ("MBCT"), an affiliated company, dated December 31, 1998 (as amended) in the total amount of $11,168,341 whereas the lender desires the obligor to meet contractual reserve requirements of the State of Tennessee. The form of these notes meets the requirements of the State of Tennessee Department of Commerce and Insurance. This note payable is subordinate to all other obligations of the Company and is shown as subordinated note payable. Payment under the subordinated note is due at the termination of the Contract.

12 Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and other Post-retirement Benefit Plans.

Employee Retirement Plan
The Company has no employees. The employees of AdvoCare are covered by the qualified 401-k plan sponsored by Magellan.

The Company has no deferred compensation plan or post-retirement benefit plan.

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

Effective February 2003 pursuant to a first amended agreed notice of administrative supervision ("Agreed Order") with the Commission of TDCI along with certain review and monitoring activities of the Company by TDCI, as defined, the Company is required to maintain net worth of $2,000,000 in excess of the statutory minimum.

NOTES TO FINANCIAL STATEMENTS

As of April 30, 2003, the Company's net worth dropped below the enhanced net worth as required by the Agreed Order. The Company received a capital contribution from the Parent in the form of debt forgiveness totaling $1,150,000. This capital contribution corrected the enhanced net worth deficiency that existed as of April 30, 2003. The aforementioned transaction was approved by TDCI and completed on June 4, 2003.

On June 19, 2003 and July 18, 2003, the Company received capital contributions from the Parent of $320,000 and $345,000, respectively. These capital contributions were necessary to correct the Company's enhanced net worth deficiencies.

As of December 31, 2003, the Agreed Order was lifted and the enhanced net worth requirement was waived. The basic net worth calculation is the greater of $1,500,000 or 4% of annual capitation.

14 Contingencies

The Company is party to various other legal proceedings incidental to its business. In the opinion of management, any ultimate liability with respect to these actions will not materially affect the financial position or results of the Company.

The Company is covered under Magellan's professional liability insurance. Coverage is limited to the period in which a claim is asserted, rather than when the incident giving rise to such claim occurred. Management has the intent to renew the insurance coverage, and historically has been able to renew such coverage. In the event Magellan was unable to obtain professional liability insurance at the expiration of the current policy period, it is possible that the Company would be uninsured for claims asserted after the expiration of the current policy period. The claims-made policy has been renewed through June 17, 2004.

15 Leases

None

16 Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk.

None

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

None

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

None

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

None

20 September 11 Events

None

21 Other Items

In December 2003, Magellan transferred $3,551,599 to the Company in repayment of the intercompany receivable which was in existence as of the end of November. As a result of this repayment, the Company did not extend the $5.2 million letter of credit securing this receivable past December 31, 2003.

22 Events Subsequent

On January 5, 2004, Onex Corporation (Onex) completed the purchase of its equity investment in Magellan following Magellan's emergence from bankruptcy that had commenced on March 11, 2003. The net cash investment was $100.6 million and resulted in an approximate 24% ownership interest in Magellan. The investment was completed through Onex's new fund, Onex Partners LP (Onex Partners). As Onex is general partner of Onex Partners, Onex has control of Magellan and is expected to itself be a 25% limited partner in Onex Partners. Onex is a Canadian company with global operations in the service, manufacturing and technology industries.

In February, the Company signed a contract with the State of Tennessee to provide mental health benefits to members located in the East Region of the State. This contract becomes effective July 1, 2004 for an initial term that runs through December 31, 2005, and includes a provision for extensions at the State's option through December 31, 2008.

In February, the Company signed a letter of commitment with the State of Tennessee to provide mental health benefits to members located in the West and Middle Regions of the State under the existing contract terms. This commitment is through December 31, 2004.

23 Reinsurance

None

24 Retrospectively Rated Contracts & Contracts Subject to Redetermination

NOTES TO FINANCIAL STATEMENTS

None

25 Changes in Incurred Losses and Loss Adjustment Expenses

None

26 Intercompany Pooling Arrangements

None

27 Structured Settlements

Not applicable

28 Health Care Receivables

The Company has certain health care receivables generated in the normal course of doing business. As of December 31, 2003, the Company has receivables related to advances to providers and receivables related to claims overpayments. All such receivables are accounted for consistently with the appropriate NAIC regulations.

29 Participating Policies

None

30 Premium Deficiency Reserve

None

31 Anticipated Salvage and Subrogation

None

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	Admitted Assets as Reported in the Annual Statement 4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	3,212,109	19.7	3,212,109	19.7
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.0		0.0
1.22 Issued by U.S. government sponsored agencies		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities)		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations		0.0		0.0
1.43 Revenue and assessment obligations		0.0		0.0
1.44 Industrial development and similar obligations		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA		0.0		0.0
1.512 Issued by FNMA and FHLMC		0.0		0.0
1.513 Privately issued		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC		0.0		0.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC		0.0		0.0
1.523 All other privately issued		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.0		0.0
2.2 Unaffiliated foreign securities		0.0		0.0
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated		0.0		0.0
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
4.6 Mezzanine real estate loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company		0.0		0.0
5.2 Property held for production of income (includes $.....0 of property acquired in satisfaction of debt)		0.0		0.0
5.3 Property held for sale ($.....0 including property acquired in satisfaction of debt)		0.0		0.0
6. Policy loans		0.0		0.0
7. Receivables for securities		0.0		0.0
8. Cash and short-term investments	13,090,323	80.3	13,090,323	80.3
9. Other invested assets		0.0		0.0
10. Total invested assets	16,302,432	100.0	16,302,432	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ ] No [X]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ ] No [ ] N/A [X]

1.3 State regulating? _____

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: _____
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2000

3.2 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. 06/30/2000

3.3 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). 10/26/2001

3.4 By what department or departments? Tennessee Department of Commerce & Insurance, the office of the Comptroller of the Treasury

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the 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

6.1 Has the 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? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [ ] No [X]

6.2 If yes, give full information:

_____

_____

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. 0%

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES (continued)

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 the names and location (city and state of the main office) of any affiliates regulated by a federal financial 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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young
Baltimore, Maryland

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Michael Cellini employed by Ernst & Young
New York, New York

11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
N/A

11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

11.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

BOARD OF DIRECTORS

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No [ ]

13. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

14. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

15.11 To directors or other officers 0

15.12 To stockholders not officers 0

15.13 Trustees, supreme or grand (Fraternal only) 0

15.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

15.21 To directors or other officers 0

15.22 To stockholders not officers 0

15.23 Trustees, supreme or grand (Fraternal only) 0

16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

16.2 If yes, state the amount thereof at December 31 of the current year:

16.21 Rented from others 0

16.22 Borrowed from others 0

16.23 Leased from others 0

16.24 Other 0

Disclose in the Notes to Financial the nature of each obligation.

17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

17.2 If answer is yes:

17.21 Amount paid as losses or risk adjustment 0

17.22 Amount paid as expenses 0

17.23 Other amounts paid 0

GENERAL INTERROGATORIES (continued)

INVESTMENT

18. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred					Yes [ ] No [X]	Yes [ ] No [X]
Common	1,000,000	1,000,000	1.00	XXX	XXX XXX	XXX XXX

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 3-Special Deposits? Yes [X] No [ ]

19.2 If no, give full and complete information relating thereto.

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1) Yes [ ] No [X]

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Loaned to others 0
20.22 Subject to repurchase agreements 0
20.23 Subject to reverse repurchase agreements 0
20.24 Subject to dollar repurchase agreements 0
20.25 Subject to reverse dollar repurchase agreements 0
20.26 Pledged as collateral 0
20.27 Placed under option agreements 0
20.28 Letter stock or securities restricted as to sale 0
20.29 Other 0

20.3 For each category above, if any of these assets are held by others, identify by whom held:

20.31
20.32
20.33
20.34
20.35
20.36
20.37
20.38
20.39

For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

20.4 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

21.2 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.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

22.2 If yes, state the amount thereof at December 31 of the current year: .....

GENERAL INTERROGATORIES (continued)

INVESTMENT

23. 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 [ ] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address

23.02 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)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes [ ] No [ ]

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

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

23.05 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 Number(s)	2 Name	3 Address

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [ ] No [ ]

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
9999999. TOTAL		0

24.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation

NONE

GENERAL INTERROGATORIES (continued)

OTHER

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? .....

25.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid

26.1 Amount of payments for legal expenses, if any? $.....33,847

26.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Weed, Hubbard, Berry & Dougherty	15,198
Wyatt, Tarrant & Combs	16,841

27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....

27.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only $.....0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $.....0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $.....0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $.....0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $.....0

1.62 Total incurred claims $.....0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $.....0

1.65 Total incurred claims $.....0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $.....0

1.72 Total incurred claims $.....0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $.....0

1.75 Total incurred claims $.....0

1.76 Number of covered lives 0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	118,814,844	101,306,947
2.2 Premium Denominator	118,814,844	101,306,947
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	7,255,890	5,987,160
2.5 Reserve Denominator	7,255,890	5,987,160
2.6 Reserve Ratio (2.4/2.5)	100.0	100.0

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [ ] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [ ] No [X]

5.2 If no, explain:

The company is a behavioral health organization, not a health maintenance organization (HMO). There is no market for reinsurance.

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $.....0

5.32 Medical only $.....0

5.33 Medicare supplement $.....0

5.34 Dental $.....0

5.35 Other limited benefit plan $.....0

5.36 Other $.....0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

The majority of our members are covered under Medicaid. Providers agree to accept our payment in full and not balance bill the member.

7.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] No [ ]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 5,073

8.2 Number of providers at end of reporting year 4,989

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

9.2 If yes, direct premium earned:

9.21 Business with the rate guarantees between 15-36 months $.....0

9.22 Business with rate guarantees over 36 months $.....0

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES (continued)

10.1 Does the reporting entity have Incentive Pool, Withhold and Bonus arrangements in its provider contracts? Yes [ ] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses $.....0

10.22 Amount actually paid for year bonuses $.....0

10.23 Maximum amount payable withholds $.....0

10.24 Amount actually paid for year withholds $.....0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [ ]

11.13 An Individual Practice Association (IPA), or Yes [ ] No [ ]

11.14 A Mixed Model (combination of above)? Yes [ ] No [ ]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]

11.3 If yes, show the name of the state requiring such net worth. Tennessee

11.4 If yes, show the amount required. $.....4,090,490

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]

11.6 If the amount is calculated, show the calculation:
4% of revenue up to $150,000,000; 1.5% of revenue in excess of $150,000,000
This calculation is through 12/31/03. Once the statement is filed, the requirement will be adjusted.

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Tennessee

FIVE-YEAR HISTORICAL DATA

	1 2003	2 2002	3 2001	4 2000	5 1999
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	23,589,187	14,235,578	18,814,065	22,751,023	16,581,385
2. Total liabilities (Page 3, Line 22)	17,030,215	9,350,499	15,399,101	15,905,651	13,975,173
3. Statutory surplus	6,557,972	4,884,079	3,413,964	5,385,717	5,017,255
4. Total capital and surplus (Page 3, Line 30)	6,558,972	4,885,079	3,414,964	6,845,372	2,606,212
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	119,808,080	102,262,260	137,871,876	134,642,928	125,431,378
6. Total medical and hospital expenses (Line 18)	108,961,935	89,087,268	125,207,625	115,674,897	111,461,520
7. Total administrative expenses (Line 21)	11,184,141	10,612,365	15,844,765	18,197,574	17,735,583
8. Net underwriting gain (loss) (Line 24)	(1,205,221)	1,691,638	(4,431,599)	770,457	(3,765,725)
9. Net investment gain (loss) (Line 27)	178,058	281,524	932,656	964,837	518,884
10. Total other income (Lines 28 plus 29)					300,000
11. Net income or (loss) (Line 32)	(1,027,163)	1,973,162	(3,498,903)	1,735,294	(2,946,841)
Risk-Based Capital Analysis					
12. Total adjusted capital	6,558,972	4,885,079	6,947,149	6,845,372	2,606,212
13. Authorized control level risk-based capital	3,815,206	3,420,296	4,009,078	3,761,867	4,213,227
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	430,043	439,915	400,014	646,789	563,004
15. Total member months (Column 6, Line 7)	5,101,318	5,123,461	7,362,086	7,235,939	6,702,828
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5)**					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total hospital and medical (Line 18)	91.7	87.1	90.8	85.9	88.9
18. Total underwriting deductions (Line 23)	101.9	98.3	103.2	99.4	103.0
19. Total underwriting gain (loss) (Line 24)	(1.0)	1.6	(3.2)	0.6	(3.0)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 12, Col. 5)	6,014,527	8,198,319	13,302,064	11,137,993	13,582,083
21. Estimated liability of unpaid claims - [prior year (Line 12, Col. 6)]	5,987,160	11,040,499	14,359,273	12,460,897	13,803,203
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2)					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Lines 22 to 27	0	0	0	0	0

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION.....Tennessee Behavioral Health, Inc. 2. Nashville, TN

BUSINESS IN THE STATE OF GRAND TOTAL DURING THE YEAR (Location)

NAIC Group Code.....0 NAIC Company Code.....95780

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior year	439,915								439,915				
2. First quarter	430,901								430,901				
3. Second quarter	418,787								418,787				
4. Third quarter	427,274								427,274				
5. Current year	430,043								430,043				
6. Current year member months	5,101,318								5,101,318				
Total Member Ambulatory Encounters for Year:													
7. Physician	133,878								133,878				
8. Non-physician	648,821								648,821				
9. Totals	782,699	0	0	0	0	0	0	0	782,699	0	0	0	0
10. Hospital patient days incurred	158,594								158,594				
11. Number of inpatient admissions	12,487								12,487				
12. Health premiums collected	114,242,303								114,242,303				
13. Life premiums direct	0												
14. Property/casualty premiums written	0												
15. Health premiums earned	118,814,844								118,814,844				
16. Property/casualty premiums earned	0												
17. Amount paid for provision of health care services	107,693,205								107,693,205				
18. Amount incurred for provision of health care services	108,961,935								108,961,935				

(a) For health business on indiciated lines report: Number of persons insured under PPO managed care products.....0 and number of persons insured under indemnity only products.....0.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION.....Tennessee Behavioral Health, Inc. 2. Nashville, TN

BUSINESS IN THE STATE OF TENNESSEE DURING THE YEAR (Location)

NAIC Group Code.....0 NAIC Company Code.....95780

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior year	439,915								439,915				
2. First quarter	430,901								430,901				
3. Second quarter	418,787								418,787				
4. Third quarter	427,274								427,274				
5. Current year	430,043								430,043				
6. Current year member months	5,101,318								5,101,318				
Total Member Ambulatory Encounters for Year:													
7. Physician	133,878								133,878				
8. Non-physician	648,821								648,821				
9. Totals	782,699	0	0	0	0	0	0	0	782,699	0	0	0	0
10. Hospital patient days incurred	158,594								158,594				
11. Number of inpatient admissions	12,487								12,487				
12. Health premiums collected	114,242,303								114,242,303				
13. Life premiums direct	0												
14. Property/casualty premiums written	0												
15. Health premiums earned	118,814,844								118,814,844				
16. Property/casualty premiums earned	0												
17. Amount paid for provision of health care services	107,693,205								107,693,205				
18. Amount incurred for provision of health care services	108,961,935								108,961,935				

(a) For health business on indiciated lines report: Number of persons insured under PPO managed care products.....0 and number of persons insured under indemnity only products.....0.

SCHEDULE A - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value, December 31, prior year (prior year statement)	
2.	Increase (decrease) by adjustment:	
	2.1 Totals, Part 1, Column 10	
	2.2 Totals, Part 3, Column 7	
3.	Cost of acquired (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9))	
4.	Cost of additions and permanent improvements:	
	4.1 Totals, Part 1, Column 13	
	4.2 Totals, Part 3, Column 9	
5.	Total profit (loss) on sales, Part 3, Column 14	
6.	Increase (decrease) by foreign exchange adjustment:	
	6.1 Totals, Part 1, Column 11	
	6.2 Totals, Part 3, Column 8	
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 12	
8.	Book/adjusted carrying value at end of current period	0
9.	Total valuation allowance	
10.	Subtotal (Lines 8 plus 9)	0
11.	Total nonadmitted amounts	
12.	Statement value, current period (Page 2, real estate lines, current period)	0

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

1.	Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year		
2.	Amount loaned during year:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		0
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 year		
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		0
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		0
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period		0

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during year:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		0
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 year		
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		0
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		0
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period		0

NONE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States	3,212,109	3,212,109	3,250,993	3,200,000
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	3,212,109	3,212,109	3,250,993	3,200,000
	5. United States				
States, Territories and Possessions	6. Canada				
(Direct and guaranteed)	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States,	9. United States				
Territories and Possessions	10. Canada				
(Direct and guaranteed)	11. Other Countries				
	12. Totals	0	0	0	0
Special Revenue and Special Assessment	13. United States				
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	0	0	0	0
	17. United States				
Public Utilities	18. Canada				
(unaffiliated)	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and	21. United States				
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	3,212,109	3,212,109	3,250,993	3,200,000
PREFERRED STOCKS	27. United States				
Public Utilities	28. Canada				
(Unaffiliated)	29. Other Countries				
	30. Totals	0	0	0	
	31 United States				
Banks, Trust and Insurance Companies	32. Canada				
(Unaffiliated)	33. Other Countries				
	34. Totals	0	0	0	
	35. United States				
Industrial and Miscellaneous	36. Canada				
(Unaffiliated)	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. **Total Preferred Stocks**	0	0	0	
COMMON STOCKS	41. United States				
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	0	0	0	
	45. United States				
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	0	0	0	
	49. United States				
Industrial and Miscellaneous	50. Canada				
(Unaffiliated)	51. Other Countries				
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. **Total Common Stocks**	0	0	0	
	55. **Total Stocks**	0	0	0	
	56. **Total Bonds and Stocks**	3,212,109	3,212,109	3,250,993	

(a) The aggregate value of bonds which are valued at other than actual fair value is $.....0.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year		3,235,781
2. Cost of bonds and stocks acquired, Column 6, Part 3		2,610,868
3. Increase (decrease) by adjustment:		
3.1 Column 16, Part 1	(19,750)	
3.2 Column 12, Part 2, Section 1		
3.3 Column 10, Part 2, Section 2		
3.4 Column 10, Part 4	(14,790)	(34,540)
4. Total gain (loss), Column 14, Part 4		
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4		2,600,000
6. Foreign exchange adjustment:		
6.1 Column 17, Part 1		
6.2 Column 13, Part 2, Section 1		
6.3 Column 11, Part 2, Section 2		
6.4 Column 11, Part 4		0
7. Book/adjusted carrying value at end of current period		3,212,109
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)		3,212,109
10. Total nonadmitted amounts		
11. Statement value of bonds and stocks, current period		3,212,109

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. **U.S. Governments, Schedules D & DA (Group 1)**											
1.1 Class 1		3,212,109				3,212,109	100.0	3,235,781	100.0	3,212,109	
1.2 Class 2						0	0.0				
1.3 Class 3						0	0.0				
1.4 Class 4						0	0.0				
1.5 Class 5						0	0.0				
1.6 Class 6						0	0.0				
1.7 Totals	0	3,212,109	0	0	0	3,212,109	100.0	3,235,781	100.0	3,212,109	0
2. **All Other Governments, Schedules D & DA (Group 2)**											
2.1 Class 1						0	0.0				
2.2 Class 2						0	0.0				
2.3 Class 3						0	0.0				
2.4 Class 4						0	0.0				
2.5 Class 5						0	0.0				
2.6 Class 6						0	0.0				
2.7 Totals	0	0	0	0	0	0	0.0	0		0	0
3. **States, Territories and Possessions, etc., Guaranteed, Schedules D & DA (Group 3)**											
3.1 Class 1						0	0.0				
3.2 Class 2						0	0.0				
3.3 Class 3						0	0.0				
3.4 Class 4						0	0.0				
3.5 Class 5						0	0.0				
3.6 Class 6						0	0.0				
3.7 Totals	0	0	0	0	0	0	0.0	0		0	0
4. **Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)**											
4.1 Class 1						0	0.0				
4.2 Class 2						0	0.0				
4.3 Class 3						0	0.0				
4.4 Class 4						0	0.0				
4.5 Class 5						0	0.0				
4.6 Class 6						0	0.0				
4.7 Totals	0	0	0	0	0	0	0.0	0		0	0
5. **Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed, Schedules D & DA (Group 5)**											
5.1 Class 1						0	0.0				
5.2 Class 2						0	0.0				
5.3 Class 3						0	0.0				
5.4 Class 4						0	0.0				
5.5 Class 5						0	0.0				
5.6 Class 6						0	0.0				
5.7 Totals	0	0	0	0	0	0	0.0	0		0	0

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusting Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. **Public Utilities (Unaffiliated), Schedules D & DA (Group 6)**											
6.1 Class 1						0	0.0				
6.2 Class 2						0	0.0				
6.3 Class 3						0	0.0				
6.4 Class 4						0	0.0				
6.5 Class 5						0	0.0				
6.6 Class 6						0	0.0				
6.7 Totals	0	0	0	0	0	0	0.0	0		0	0
7. **Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)**											
7.1 Class 1						0	0.0				
7.2 Class 2						0	0.0				
7.3 Class 3						0	0.0				
7.4 Class 4						0	0.0				
7.5 Class 5						0	0.0				
7.6 Class 6						0	0.0				
7.7 Totals	0	0	0	0	0	0	0.0	0		0	0
8. **Credit Tenant Loans, Schedules D & DA (Group 8)**											
8.1 Class 1						0	0.0				
8.2 Class 2						0	0.0				
8.3 Class 3						0	0.0				
8.4 Class 4						0	0.0				
8.5 Class 5						0	0.0				
8.6 Class 6						0	0.0				
8.7 Totals	0	0	0	0	0	0	0.0	0		0	0
9. **Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)**											
9.1 Class 1						0	0.0				
9.2 Class 2						0	0.0				
9.3 Class 3						0	0.0				
9.4 Class 4						0	0.0				
9.5 Class 5						0	0.0				
9.6 Class 6						0	0.0				
9.7 Totals	0	0	0	0	0	0	0.0	0		0	0

NONE

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. **Total Bonds Current Year**											
10.1 Class 1	0	3,212,109	0	0	0	3,212,109	100.0	XXX	XXX	3,212,109	0
10.2 Class 2	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.3 Class 3	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Class 4	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.5 Class 5	0	0	0	0	0	(c) 0	0.0	XXX	XXX	0	0
10.6 Class 6	0	0	0	0	0	(c) 0	0.0	XXX	XXX	0	0
10.7 Totals	0	3,212,109	0	0	0	(b) 3,212,109	100.0	XXX	XXX	3,212,109	0
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. **Total Bonds Prior Year**											
11.1 Class 1		3,235,781				XXX	XXX	3,235,781	100.0	3,235,781	
11.2 Class 2						XXX	XXX	0	0.0		
11.3 Class 3						XXX	XXX	0	0.0		
11.4 Class 4						XXX	XXX	0	0.0		
11.5 Class 5						XXX	XXX	(c) 0	0.0		
11.6 Class 6						XXX	XXX	(c) 0	0.0		
11.7 Totals	0	3,235,781	0	0	0	XXX	XXX	(b) 3,235,781	100.0	3,235,781	0
11.8 Line 11.7 as a % of Col. 8	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. **Total Publicly Traded Bonds**											
12.1 Class 1		3,212,109				3,212,109	100.0	3,235,781	100.0	3,212,109	XXX
12.2 Class 2						0	0.0	0	0.0	0	XXX
12.3 Class 3						0	0.0	0	0.0	0	XXX
12.4 Class 4						0	0.0	0	0.0	0	XXX
12.5 Class 5						0	0.0	0	0.0	0	XXX
12.6 Class 6						0	0.0	0	0.0	0	XXX
12.7 Totals	0	3,212,109	0	0	0	3,212,109	100.0	3,235,781	100.0	3,212,109	XXX
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. **Total Privately Placed Bonds**											
13.1 Class 1						0	0.0	0	0.0	XXX	0
13.2 Class 2						0	0.0	0	0.0	XXX	0
13.3 Class 3						0	0.0	0	0.0	XXX	0
13.4 Class 4						0	0.0	0	0.0	XXX	0
13.5 Class 5						0	0.0	0	0.0	XXX	0
13.6 Class 6						0	0.0	0	0.0	XXX	0
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

(a) Includes $.....0 freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes $.....0 current year, $.....0 prior year of bonds with Z designations and $.....0 current year, $.....0 prior year of bonds with Z* designation. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class are under regulatory review.

(c) Includes $.....0 current year, $.....0 prior year of bonds with 5* designations and $.....0 current year, $.....0 prior year of bonds with 6* designation. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. **U.S. Governments, Schedules D & DA (Group 1)**											
1.1 Issuer Obligations		3,212,109				3,212,109	100.0	3,235,781	100.0	3,212,109	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0				
1.7 Totals	0	3,212,109	0	0	0	3,212,109	100.0	3,235,781	100.0	3,212,109	0
2. **All Other Governments, Schedules D & DA (Group 2)**											
2.1 Issuer Obligations						0	0.0				
2.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3 Defined						0	0.0				
2.4 Other						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
2.5 Defined						0	0.0				
2.6 Other						0	0.0				
2.7 Totals	0	0	0	0	0	0	0.0	0		0	0
3. **States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)**											
3.1 Issuer Obligations						0	0.0				
3.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3 Defined						0	0.0				
3.4 Other						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
3.5 Defined						0	0.0				
3.6 Other						0	0.0				
3.7 Totals	0	0	0	0	0	0	0.0	0		0	0
4. **Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)**											
4.1 Issuer Obligations						0	0.0				
4.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3 Defined						0	0.0				
4.4 Other						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
4.5 Defined						0	0.0				
4.6 Other						0	0.0				
4.7 Totals	0	0	0	0	0	0	0.0	0		0	0
5. **Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed, Schedules D & DA (Group 5)**											
5.1 Issuer Obligations						0	0.0				
5.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3 Defined						0	0.0				
5.4 Other						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
5.5 Defined						0	0.0				
5.6 Other						0	0.0				
5.7 Totals	0	0	0	0	0	0	0.0	0		0	0

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. **Public Utilities (Unaffiliated), Schedules D & DA (Group 6)**											
6.1 Issuer Obligations						0	0.0				
6.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined						0	0.0				
6.4 Other						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
6.5 Defined						0	0.0				
6.6 Other						0	0.0				
6.7 Totals	0	0	0	0	0	0	0.0	0		0	0
7. **Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)**											
7.1 Issuer Obligations						0	0.0				
7.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined						0	0.0				
7.4 Other						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
7.5 Defined						0	0.0				
7.6 Other						0	0.0				
7.7 Totals	0	0	0	0	0	0	0.0	0		0	0
8. **Credit Tenant Loans, Schedules D & DA (Group 8)**											
8.1 Issuer Obligations						0	0.0				
8.7 Totals	0	0	0	0	0	0	0.0	0		0	0
9. **Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)**											
9.1 Issuer Obligations						0	0.0				
9.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined						0	0.0				
9.4 Other						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
9.5 Defined						0	0.0				
9.6 Other						0	0.0				
9.7 Totals	0	0	0	0	0	0	0.0	0		0	0

NONE

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. **Total Bonds Current Year**											
10.1 Issuer Obligations	0	3,212,109	0	0	0	3,212,109	100.0	XXX	XXX	3,212,109	0
10.2 Single Class Mortgage-Backed/Asset-Backed Securities	0	0	0	0	0	0	0.0	XXX	XXX	0	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Other	0	0	0	0	0	0	0.0	XXX	XXX	0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
10.5 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.6 Other	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.7 Totals	0	3,212,109	0	0	0	3,212,109	100.0	XXX	XXX	3,212,109	0
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. **Total Bonds Prior Year**											
11.1 Issuer Obligations		3,235,781				XXX	XXX	3,235,781	100.0	3,235,781	
11.2 Single Class Mortgage-Backed/Asset-Backed Securities						XXX	XXX	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined						XXX	XXX	0	0.0		
11.4 Other						XXX	XXX	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
11.5 Defined						XXX	XXX	0	0.0		
11.6 Other						XXX	XXX	0	0.0		
11.7 Totals	0	3,235,781	0	0	0	XXX	XXX	3,235,781	100.0	3,235,781	0
11.8 Line 11.7 as a % of Col. 8	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. **Total Publicly Traded Bonds**											
12.1 Issuer Obligations		3,212,109				3,212,109	100.0	3,235,781	100.0	3,212,109	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0	0	XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined						0	0.0	0	0.0	0	XXX
12.4 Other						0	0.0	0	0.0	0	XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
12.5 Defined						0	0.0	0	0.0	0	XXX
12.6 Other						0	0.0	0	0.0	0	XXX
12.7 Totals	0	3,212,109	0	0	0	3,212,109	100.0	3,235,781	100.0	3,212,109	XXX
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. **Total Privately Placed Bonds**											
13.1 Issuer Obligations						0	0.0	0	0.0	XXX	0
13.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0	XXX	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined						0	0.0	0	0.0	XXX	0
13.4 Other						0	0.0	0	0.0	XXX	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
13.5 Defined						0	0.0	0	0.0	XXX	0
13.6 Other						0	0.0	0	0.0	XXX	0
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

Sch. DA-Pt. 2-Verification of Short-Term Investments Between Years
NONE

Sch. DB-Pt.A-Verification Between Years
NONE

Sch. DB-Pt.B-Verification Between Years
NONE

Sch. DB-Pt.C-Verification Between Years
NONE

Sch. DB-Pt.D-Verification Between Years
NONE

Sch. DB-Pt.E-Verification
NONE

Sch. DB-Pt. F-Sn. 1
NONE

Sch. DB-Pt. F-Sn. 2
NONE

Sch. S-Pt. 1-Sn. 2
NONE

Sch. S-Pt. 2
NONE

Sch. S-Pt. 3-Sn. 2
NONE

Sch. S-Pt. 4
NONE

Sch. S-Pt.5
NONE

SCHEDULE S - PART 6

Restatement of Balance Sheet to Identify Net Credit for Ceded Reinsurance

		1 As Reported (Net of Ceded)	2 Restatement Adjustments	3 Restated (Gross of Ceded)
	ASSETS (Page 2, Col. 3)			
1.	Cash and invested assets (Line 10)	16,302,432		16,302,432
2.	Accident and health premiums due and unpaid (Line 12)	5,645,562		5,645,562
3.	Amounts recoverable from reinsurers (Line 13.1)			0
4.	Net credit for ceded reinsurance	XXX		0
5.	All other admitted assets (balance)	1,641,193		1,641,193
6.	Totals assets (Line 26)	23,589,187	0	23,589,187
	LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7.	Claims unpaid (Line 1)	7,255,890		7,255,890
8.	Accrued medical incentive pool and bonus payments (Line 2)			0
9.	Premiums received in advance (Line 8)	3,156,328		3,156,328
10.	Reinsurance in unauthorized companies (Line 18)			0
11.	All other liabilities (balance)	6,617,997		6,617,997
12.	Total liabilities (Line 22)	17,030,215	0	17,030,215
13.	Total capital and surplus (Line 30)	6,558,972	XXX	6,558,972
14.	Total liabilities, capital and surplus (Line 31)	23,589,187	0	23,589,187
	NET CREDIT FOR CEDED REINSURANCE			
15.	Claims unpaid	0		
16.	Accrued medical incentive pool	0		
17.	Premiums received in advance	0		
18.	Reinsurance recoverable on paid losses	0		
19.	Other ceded reinsurance recoverables	0		
20.	Total ceded reinsurance recoverables	0		
21.	Premiums receivable	0		
22.	Unauthorized reinsurance	0		
23.	Other ceded reinsurance payables/offsets	0		
24.	Total ceded reinsurance payables/offsets	0		
25.	Total net credit for ceded reinsurance	0		

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	2	Direct Business Only					
			3	4	5	6	7	8
State, Etc.	Guaranty Fund (YES or NO)	Is Insurer Licensed? (YES or NO)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Deposit-Type Contract Funds	Property/ Casualty Premiums
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			118,814,844			
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. Canada CN								
57. Aggregate Other alien OT	XXX	XXX	0	0	0	0	0	0
58. Total (Direct Business)	XXX	(a) 1	0	0	118,814,844	0	0	0

DETAILS OF WRITE-INS

5701.							
5702.							
5703.							
5798. Summary of remaining write-ins for line 57 from overflow page	0	0	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

(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

Magellan Health Services, Inc

Magellan Behavioral Health, Inc.
Directly owned subsidiary

Tennessee Behavioral Health, Inc.
Wholly-owned subsidiary

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

SCHEDULE Y (Continued)

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1 NAIC Company Code	2 Federal ID Number	3 Names of Insurers and Parent, Subsidiaries or Affiliates	4 Shareholder Dividends	5 Capital Contributions	6 Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	7 Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	8 Management Agreements and Service Contracts	9 Income/ (Disbursements) Incurred under Reinsurance Agreements	10 *	11 Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	12 Totals	13 Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability)
Affiliated Transactions												
	52-1922729	Advocare of Tennessee, Inc.					9,233,387				9,233,387	
	62-1621636	Tennessee Behavioral Health, Inc.					(9,233,387)				(9,233,387)	
	52-2135463	Magellan Behavioral Health		(1,815,000)							(1,815,000)	
	62-1621636	Tennessee Behavioral Health, Inc.		1,815,000							1,815,000	
9999999.	Control Totals		0	0	0	0	0	0	XXX	0	0	0

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.

	MARCH FILING	RESPONSES
1.	Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?	No
2.	Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	Yes
3.	Will an actuarial certification be filed with this statement by March 1?	Yes
4.	Will the Risk-Based Capital Report be filed with the NAIC by March 1?	No
5.	Will the Risk-Based Capital Report be filed with the state of domicile, if required, by March 1?	Yes
6.	Will the SVO Compliance Certification be filed by March 1?	Yes
7.	Will the Life Supplement be filed with the state of domicile and the NAIC by March 1?	No
8.	Will the Property/Casualty Supplement be filed with the state of domicile and the NAIC by March 1?	No
	APRIL FILING	
9.	Will Management's Discussion and Analysis be filed by April 1?	Yes
10.	Will the Long-term Care Experience Reporting Forms be filed with the state of domicile by April 1?	No
11.	Will the Investment Risk Interrogatories be filed by April 1?	Yes
	JUNE FILING	
12.	Will an audited financial report be filed by June 1 with the state of domicile?	Yes

EXPLANATIONS:

BAR CODE:

95780200336000000

95780200339000000

95780200320500000

95780200320700000

95780200333000000

Overflow Page (Portrait)
NONE

Overflow Page (Landscape)
NONE

Sch. A-Pt. 1
NONE

Sch. A-Pt. 2
NONE

Sch. A-Pt. 3
NONE

Sch. B-Pt. 1
NONE

Sch. B-Pt. 2
NONE

Sch. BA-Pt. 1
NONE

Sch. BA-Pt. 2
NONE

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	3	Interest 4	Interest 5	6	7	8	9	10	11	12	13	Interest 14	Interest 15	16	17	18	19	20	21
CUSIP Identification	Description	*	Rate of	How Paid	Maturity Date	Option Date	Option Call Price	Book/Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	Amount Due and Accrued December 31 of Current Year on Bonds not in Default	Gross Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued December 31, Current Year, on Bonds in Default as to Principal or Interest	NAIC Designation	Date Acquired	Effective Rate of Interest
U.S. Government - Issuer Obligations																				
912827N81	US Treasury Note		5.875	FA	02/15/2004			602,808	600,000		602,808	640,125	11,750	23,500	(18,182)			1	11/15/2001	2.786
3133MUMU6	Federal Home Loan Bank		2.500	JD	12/15/2005			2,609,301	2,600,000		2,609,301	2,610,868	35,750		(1,568)			1	09/03/2003	2.310
0199999	U.S. Government - Issuer Obligations							3,212,109	3,200,000	XXX	3,212,109	3,250,993	47,500	23,500	(19,750)	0	0	XXX	XXX	XXX
0399999	Total - U.S. Government							3,212,109	3,200,000	XXX	3,212,109	3,250,993	47,500	23,500	(19,750)	0	0	XXX	XXX	XXX
Totals																				
5499999	Total - Issuer Obligations							3,212,109	3,200,000	XXX	3,212,109	3,250,993	47,500	23,500	(19,750)	0	0	XXX	XXX	XXX
6099999	Grand Total - Bonds							3,212,109	3,200,000	XXX	3,212,109	3,250,993	47,500	23,500	(19,750)	0	0	XXX	XXX	XXX

Sch. D-Pt. 2-Sn. 1
NONE

Sch. D-Pt. 2-Sn. 2
NONE

SCHEDULE D - PART 3

Showing all Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
Bonds - U.S. Government							
3133MUMU6	Federal Home Loan Bank	09/03/2003	Morgan Stanley		2,610,868	2,600,000	14,083
0399999.	Total - Bonds - U.S. Government				2,610,868	2,600,000	14,083
6099997.	Total - Bonds - Part 3				2,610,868	2,600,000	14,083
6099999.	Total - Bonds				2,610,868	2,600,000	14,083
7299999.	Total - Bonds, Preferred and Common Stocks				2,610,868	XXX	14,083

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Year

1 CUSIP Identification	2 Description	3 Disposal Date	4 Name of Purchaser	5 Number of Shares of Stock	6 Consideration	7 Par Value	8 Actual Cost	9 Book/Adjusted Carrying Value at Disposal Date	10 Increase (Decrease) by Adjustment	11 Increase (Decrease) by Foreign Exchange Adjustment	12 Foreign Exchange Gain (Loss) on Disposal	13 Realized Gain (Loss) on Disposal	14 Total Gain (Loss) on Disposal	15 Interest on Bonds Received During Year	16 Dividends on Stocks Received During Year
Bonds - U.S. Government															
3133M5JW1	US Treasury Note	09/15/2003	Matured		2,600,000	2,600,000	2,651,766	2,600,000	(14,790)				0	96,633	
0399999.	Total - Bonds - U.S. Government				2,600,000	2,600,000	2,651,766	2,600,000	(14,790)	0	0	0	0	96,633	XXX
6099997.	Total - Bonds - Part 4				2,600,000	2,600,000	2,651,766	2,600,000	(14,790)	0	0	0	0	96,633	XXX
6099999.	Total - Bonds				2,600,000	2,600,000	2,651,766	2,600,000	(14,790)	0	0	0	0	96,633	XXX
7299999.	Total - Bonds, Preferred and Common Stocks				2,600,000	XXX	2,651,766	2,600,000	(14,790)	0	0	0	0	96,633	0

Sch. D-Pt. 5
NONE

Sch. D-Pt. 6-Sn. 1
NONE

Sch. D-Pt. 6-Sn. 2
NONE

Sch. DA-Pt. 1
NONE

Sch. DB-Pt. A-Sn. 1
NONE

Sch. DB-Pt. A-Sn. 2
NONE

Sch. DB-Pt. A-Sn. 3
NONE

Sch. DB-Pt. B-Sn. 1
NONE

Sch. DB-Pt. B-Sn. 2
NONE

Sch. DB-Pt. B-Sn. 3
NONE

Sch. DB-Pt. C-Sn. 1
NONE

Sch. DB-Pt. C-Sn. 2
NONE

Sch. DB-Pt. C-Sn. 3
NONE

Sch. DB-Pt. D-Sn. 1
NONE

Sch. DB-Pt. D-Sn. 2
NONE

Sch. DB-Pt. D-Sn. 3
NONE

Sch. DB-Pt. E-Sn. 1
NONE

SCHEDULE DM

For bonds and preferred stocks owned as of December 31, state the aggregate statement (admitted) value, the aggregate fair value, and the aggregate difference, if any, between them.

	1 Statement (Admitted) Value	2 Fair Value (a)	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
1. Bonds	3,212,109	3,212,109	0
2. Preferred stocks			0
3. Totals	3,212,109	3,212,109	0

(a) Amortized or book values shall not be substituted for fair values. Describe the sources or methods utilized in determining the fair values.

SCHEDULE E - PART 1 - CASH

1 Depository	2 Rate of Interest	3 Amount of Interest Received During Year	4 Amount of Interest Accrued December 31 of Current Year	5 Balance	6 *
Open Depositories					
US Bank	varies	57,654		12,729,084	XXX
First Tennessee	varies	1,797		361,239	XXX
0199999. Total - Open Depositories	XXX	59,451	0	13,090,323	XXX
0399999. Total Cash on Deposit	XXX	59,451	0	13,090,323	XXX
0599999. Total Cash	XXX	59,451	0	13,090,323	XXX

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January	7,501,733	4. April	6,666,374	7. July	7,719,841	10. October	7,836,163
2. February	7,286,004	5. May	7,148,916	8. August	7,423,690	11. November	7,359,518
3. March	7,470,659	6. June	6,944,667	9. September	7,299,594	12. December	13,090,323

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned December 31 of Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Rate of Interest	5 Maturity	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Gross Investment Income

NONE

SCHEDULE E - PART 3 - SPECIAL DEPOSITS

1 Line Number	2 Type	3 Description of Deposit	4 Where Deposited and Purpose of Deposit	5 Par or Book Value	6 Statement Value (a)	7 Fair Value
SPECIAL DEPOSITS WHICH ARE FOR THE BENEFIT OF ALL POLICYHOLDERS						
Tennessee						
TN00001.	912827N81	US Treasury Note	First Tennessee	600,000	602,808	602,808
TN00002.	3133MUMU6	Federal Home Loan Bank	First Tennessee	2,600,000	2,609,301	2,609,301
TN99999.	Tennessee			3,200,000	3,212,109	3,212,109
9999998.	Total - All Special Deposits Held for Benefit of all Policyholders, Claimants, & Creditors of the Company			3,200,000	3,212,109	3,212,109
9999999.	Totals			3,200,000	3,212,109	3,212,109

(a) Including $.....0 cash and short-term investments as defined in SSAP No. 2 of the NAIC Accounting Practices and Procedures Manual.