QUARTERLY STATEMENT

OF THE

Volunteer State Health Plan, Inc.

of

Chattanooga

in the state of

Tennessee

TO THE

Insurance Department

OF THE STATE OF

Tennessee

FOR THE QUARTER ENDED
March 31, 2008

HEALTH

2008

2008

00000200820100101 (NAIC code not entered) 2008 Document Code: 201

QUARTERLY STATEMENT

AS OF March 31, 2008

OF THE CONDITION AND AFFAIRS OF THE

Volunteer State Health Plan, Inc.

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

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

Country of Domicile United States of America

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

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

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

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

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

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

Internet Website Address www.bcbst.com

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

OFFICERS

Name	Title
Vicky Brown Gregg	Chairman
Sonya Kay Nelson	President & CEO
Sylvia Ann Sherrill	Vice President, Medicare Advantage
Shelia Dian Clemons	Secretary
Christopher Howell Hunter	Treasurer
Steven Lee Coulter MD	Managing Director

OTHERS

DIRECTORS OR TRUSTEES

Vicky Brown Gregg
John Francis Giblin
Steven Lee Coulter MD

State of Tennessee
County of Hamilton ss

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

(Signature)	(Signature)	(Signature)
Sonya Kay Nelson	Shelia Dian Clemons	John Francis Giblin
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President & CEO	Secretary	Executive VP & CFO
(Title)	(Title)	(Title)

Subscribed and sworn to before me this 14TH day of May, 2008

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

(Notary Public Signature)

MICKI COLLINS NOTARY PUBLIC AT LARGE HAMILTON CO., TN

My Commission Expires August 18, 2010

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ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31, Prior Year Net Admitted Assets
1. Bonds	24,402,980		24,402,980	26,433,012
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less $.....0 encumbrances)				
4.2 Properties held for the production of income (less $.....0 encumbrances)				
4.3 Properties held for sale (less $.....0 encumbrances)				
5. Cash ($.....7,219,408), cash equivalents ($.....0) and short-term investments ($.....14,633,197)	21,852,605		21,852,605	9,500,226
6. Contract loans (including $.....0 premium notes)				
7. Other invested assets				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	46,255,585		46,255,585	35,933,238
11. Title plants less $.....0 charged off (for Title insurers only)				
12. Investment income due and accrued	461,135		461,135	368,927
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	6,699,078		6,699,078	6,781,994
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	246,989	246,989		
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets ($.....0)				
20. Net adjustments in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care ($.....0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	589,409		589,409	585,623
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	54,252,196	246,989	54,005,207	43,669,782
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	54,252,196	246,989	54,005,207	43,669,782
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Insured Receivable from State of Tennessee	589,409		589,409	585,623
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	589,409		589,409	585,623

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $.....0 reinsurance ceded)				
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses	7,064,100		7,064,100	
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance	1,186,645		1,186,645	1,771,342
9.	General expenses due or accrued	525,464		525,464	842,803
10.1	Current federal and foreign income tax payable and interest thereon (including $.....0 on realized gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others	457,752		457,752	69,090
13.	Remittances and items not allocated	3,029		3,029	19,336
14.	Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates	12,846,452		12,846,452	7,270,099
16.	Payable for securities				
17.	Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans	2,605,387		2,605,387	1,993,775
21.	Aggregate write-ins for other liabilities (including $.....0 current)	184,808		184,808	340,120
22.	Total liabilities (Lines 1 to 21)	24,873,637		24,873,637	12,306,565
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	10	10
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	99,990	99,990
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X	21,024,621	25,703,132
29.	Unassigned funds (surplus)	X X X	X X X	8,006,949	5,560,085
30.	Less treasury stock, at cost:				
	30.1 .....0 shares common (value included in Line 24 $.....0)	X X X	X X X		
	30.2 .....0 shares preferred (value included in Line 25 $.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	29,131,570	31,363,217
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	54,005,207	43,669,782
DETAILS OF WRITE-INS					
2101.	Exigency Post Settlement Activity	106,476		106,476	261,201
2102.	Stale Dated Checks	78,332		78,332	78,919
2103.					
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	184,808		184,808	340,120
2301.		X X X	X X X		
2302.		X X X	X X X		
2303.		X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	Legally Required Reserves	X X X	X X X	21,024,621	25,703,132
2802.		X X X	X X X		
2803.		X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X	21,024,621	25,703,132

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date	Prior Year Ended December 31
		1 Uncovered	2 Total	3 Total	4 Total
1.	Member Months	XXX			
2.	Net premium income (including $.....0 non-health premium income)	XXX	(7,114)	(16,458)	(85,979)
3.	Change in unearned premium reserves and reserves for rate credits	XXX			
4.	Fee-for-service (net of $.....0 medical expenses)	XXX			
5.	Risk revenue	XXX			
6.	Aggregate write-ins for other health care related revenues	XXX			
7.	Aggregate write-ins for other non-health revenues	XXX		4,240,805	8,500,283
8.	Total revenues (Lines 2 to 7)	XXX	(7,114)	4,224,347	8,414,304
Hospital and Medical:					
9.	Hospital/medical benefits		(318,072)	(65,126)	(518,592)
10.	Other professional services		(2,080)	(11,344)	(352,142)
11.	Outside referrals				
12.	Emergency room and out-of-area		2,152	57	(1,254)
13.	Prescription drugs				(564,067)
14.	Aggregate write-ins for other hospital and medical		113,008	27,602	437,663
15.	Incentive pool, withhold adjustments and bonus amounts				
16.	Subtotal (Lines 9 to 15)		(204,992)	(48,811)	(998,392)
Less:					
17.	Net reinsurance recoveries				
18.	Total hospital and medical (Lines 16 minus 17)		(204,992)	(48,811)	(998,392)
19.	Non-health claims (net)				
20.	Claims adjustment expenses, including $.....254,056 cost containment expenses		1,683,526	235,551	772,985
21.	General administrative expenses		2,387,877	325,284	1,086,872
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)		3,866,411	512,024	861,465
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(3,873,525)	3,712,323	7,552,839
25.	Net investment income earned		429,257	550,393	1,871,221
26.	Net realized capital gains (losses) less capital gains tax of $.....0				(2,597)
27.	Net investment gains or (losses) (Lines 25 plus 26)		429,257	550,393	1,868,624
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			(4,240,805)	(8,500,283)
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	(3,444,268)	21,911	921,180
31.	Federal and foreign income taxes incurred	XXX	(1,212,621)	4,354	316,073
32.	Net income (loss) (Lines 30 minus 31)	XXX	(2,231,647)	17,557	605,107
DETAILS OF WRITE-INS					
0601.	Meharry, Critical Access, and EPP Revenues	XXX		56,501,306	100,546,064
0602.	Meharry, Critical Access, and EPP Premium Taxes	XXX		(1,130,026)	(2,010,921)
0603.	Critical Access Payments	XXX		(2,121,280)	(3,247,543)
0698.	Summary of remaining write-ins for Line 6 from overflow page	XXX		(53,250,000)	(95,287,600)
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX			
0701.	Shared Health, Inc. Revenue	XXX		4,240,805	8,500,283
0702.		XXX			
0703.		XXX			
0798.	Summary of remaining write-ins for Line 7 from overflow page	XXX			
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX		4,240,805	8,500,283
1401.	Exigency Post-Settlement Activity		113,008	27,602	437,663
1402.					
1403.					
1498.	Summary of remaining write-ins for Line 14 from overflow page				
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		113,008	27,602	437,663
2901.	Shared Health, Inc. Expense			(4,240,805)	(8,500,283)
2902.					
2903.					
2998.	Summary of remaining write-ins for Line 29 from overflow page				
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)			(4,240,805)	(8,500,283)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
	CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	31,363,217	30,758,110	30,758,110
34.	Net income or (loss) from Line 32	(2,231,647)	17,557	605,107
35.	Change in valuation basis of aggregate policy and claim reserves			
36.	Change in net unrealized capital gains (losses) less capital gains tax of $.....0			
37.	Change in net unrealized foreign exchange capital gain or (loss)			
38.	Change in net deferred income tax	(7,127)	(3,294)	(12,616)
39.	Change in nonadmitted assets	7,127	3,294	12,616
40.	Change in unauthorized reinsurance			
41.	Change in treasury stock			
42.	Change in surplus notes			
43.	Cumulative effect of changes in accounting principles			
44.	Capital Changes:			
	44.1 Paid in			
	44.2 Transferred from surplus (Stock Dividend)			
	44.3 Transferred to surplus			
45.	Surplus adjustments:			
	45.1 Paid in			
	45.2 Transferred to capital (Stock Dividend)			
	45.3 Transferred from capital			
46.	Dividends to stockholders			
47.	Aggregate write-ins for gains or (losses) in surplus			
48.	Net change in capital and surplus (Lines 34 to 47)	(2,231,647)	17,557	605,107
49.	Capital and surplus end of reporting period (Line 33 plus 48)	29,131,570	30,775,667	31,363,217
DETAILS OF WRITE-INS				
4701.				
4702.				
4703.				
4798.	Summary of remaining write-ins for Line 47 from overflow page			
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)			

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	-	-
REVENUES:			
1. TennCare Capitation	18,505,452	18,505,452	(85,979)
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	18,505,452	18,505,452	(85,979)
4. Investment	429,257	429,257	1,868,624
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	18,934,709	18,934,709	1,782,645
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	-	-	-
8. Fee-for Service Physician Services	(7,928)	(7,928)	(46,110)
9. Inpatient Hospital Services	(13,958)	(13,958)	(9,543)
10. Outpatient Services	(775)	(775)	(21,095)
11. Emergency Room Services	108	108	178
12. Mental Health Services	-	-	-
13. Dental Services	-	-	-
14. Vision Services	-	-	-
15. Pharmacy Services	-	-	(564,067)
16. Home Health Services	-	-	(14,772)
17. Chiropractic Services	-	-	-
18. Radiology Services	(31)	(31)	(958)
19. Laboratory Services	-	-	(6,821)
20. Durable Medical Services	-	-	(446)
21. Transportation Services	(117)	(117)	(1,919)
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	109,233	109,233	413,555
26. Subtotal (Lines 7 to 25)	86,532	86,532	(251,998)
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	(140)	(140)	(165)
29. Subrogation and Coordination of Benefits	291,664	291,664	746,559
30. Subtotal (Lines 27 to 29)	291,524	291,524	746,394
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	(204,992)	(204,992)	(998,392)
Administration:			
32. Compensation	11,698,821	11,698,821	1,184,943
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	4,204,752	4,204,752	(1,720)
36. Occupancy, Depreciation and Amortization	1,147,102	1,147,102	116,187
37. Other Administration (Provide Detail)	5,533,294	5,533,294	560,447
38. TOTAL ADMINISTRATION (Lines 32 to 37)	22,583,969	22,583,969	1,859,857
39. TOTAL EXPENSES (Lines 31 and 38)	22,378,977	22,378,977	861,465
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(1,212,621)	(1,212,621)	316,073
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(2,231,647)	(2,231,647)	605,107
DETAILS OF WRITE-INS			
0501. Meharry, Critical Access & EPP Revenues	-	-	100,546,064
0502. Meharry, Critical Access, Trauma Center and EPP Premium Taxes	-	-	(2,010,921)
0503. Critical Access Payments	-	-	(3,247,543)
0504. Meharry Payments	-	-	(6,500,000)
0505. Trauma Center Payments	-	-	(13,787,600)
0506. Essential Provider Payments (EPP)	-	-	(75,000,000)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	113,008	113,008	437,663
2502. PT/OT/ST, Supplies, Prosthetics, etc.	(14)	(14)	(4,284)
2503. Bad Debt Expense	(3,761)	(3,761)	(19,824)
2599. TOTALS	109,233	109,233	413,555
3701. Equipment	2,509,285	2,509,285	254,158
3702. Auditing, Actuarial, and Other Consulting	816,207	816,207	82,670
3703. Postage/Telephone	720,615	720,615	72,988
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	665,465	665,465	67,401
3705. Outsourced Services	579,066	579,066	58,652
3706. Printing and Stationary	242,656	242,656	24,578
3799. TOTALS	5,533,294	5,533,294	560,447

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	311,889	311,889	2,191,170
REVENUES:			
1. TennCare Capitation	80,097,160	80,097,160	596,133,180
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	80,097,160	80,097,160	596,133,180
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	8,500,283
6. TOTAL REVENUES (Lines 1 to 5)	80,097,160	80,097,160	604,633,463
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	426,726	426,726	2,661,665
8. Fee-for Service Physician Services	13,597,245	13,597,245	130,324,312
9. Inpatient Hospital Services	22,061,158	22,061,158	152,727,784
10. Outpatient Services	8,151,280	8,151,280	66,607,587
11. Emergency Room Services	2,302,920	2,302,920	16,360,133
12. Mental Health Services	-	-	-
13. Dental Services	-	-	1,966
14. Vision Services	44,423	44,423	337,481
15. Pharmacy Services	-	-	(29,956)
16. Home Health Services	19,097,728	19,097,728	126,624,309
17. Chiropractic Services	-	-	-
18. Radiology Services	483,635	483,635	7,282,867
19. Laboratory Services	520,948	520,948	6,110,293
20. Durable Medical Services	1,573,497	1,573,497	10,264,895
21. Transportation Services	1,137,072	1,137,072	10,908,439
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	2,871,320	2,871,320	18,970,010
26. Subtotal (Lines 7 to 25)	72,267,952	72,267,952	549,151,785
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	7,402	7,402	122,597
29. Subrogation and Coordination of Benefits	964,485	964,485	3,414,410
30. Subtotal (Lines 27 to 29)	971,887	971,887	3,537,007
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	71,296,065	71,296,065	545,614,778
Administration:			
32. Compensation	4,066,837	4,066,837	24,642,226
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	1,601,943	1,601,943	11,922,664
36. Occupancy, Depreciation and Amortization	398,764	398,764	2,416,238
37. Other Administration (Provide Detail)	1,923,523	1,923,523	20,155,533
38. TOTAL ADMINISTRATION (Lines 32 to 37)	7,991,067	7,991,067	59,136,661
39. TOTAL EXPENSES (Lines 31 and 38)	79,287,132	79,287,132	604,751,439
40. Extraordinary Item			
41. Provision for Federal Income Taxes	283,510	283,510	(41,292)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	526,518	526,518	(76,684)
DETAILS OF WRITE-INS			
0501. Shared Health, Inc. Revenue	-	-	8,500,283
0599. TOTALS	-	-	8,500,283
2501. PT/OT/ST, Supplies, Prosthetics, etc.	2,096,640	2,096,640	12,075,914
2502. Out of Area Claims Expense	500,073	500,073	4,904,424
2503. Bad Debt Expense	274,607	274,607	1,989,672
2599. TOTALS	2,871,320	2,871,320	18,970,010
3701. Equipment Rental	872,297	872,297	5,285,521
3702. Auditing, Actuarial, and Other Consulting	283,735	283,735	1,719,246
3703. Postage/Telephone	250,505	250,505	1,517,892
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	231,333	231,333	1,401,728
3705. Outsourced Services	201,299	201,299	1,219,736
3706. Printing and Stationary	84,354	84,354	511,127
3707. Shared Health, Inc. Expense	-	-	8,500,283
3799. TOTALS	1,923,523	1,923,523	20,155,533

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	627,920	627,920	2,500,656
REVENUES:			
1. TennCare Capitation	121,616,201	121,616,201	489,389,514
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	121,616,201	121,616,201	489,389,514
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	121,616,201	121,616,201	489,389,514
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	499,003	499,003	1,990,084
8. Fee-for Service Physician Services	40,240,241	40,240,241	161,175,307
9. Inpatient Hospital Services	26,989,757	26,989,757	101,326,857
10. Outpatient Services	15,301,644	15,301,644	63,703,486
11. Emergency Room Services	4,377,275	4,377,275	16,175,181
12. Mental Health Services	-	-	-
13. Dental Services	635	635	4,012
14. Vision Services	69,433	69,433	333,815
15. Pharmacy Services	-	-	(35,220)
16. Home Health Services	13,950,461	13,950,461	59,650,629
17. Chiropractic Services	-	-	-
18. Radiology Services	2,169,508	2,169,508	9,716,646
19. Laboratory Services	1,918,855	1,918,855	9,875,585
20. Durable Medical Services	2,032,843	2,032,843	9,054,924
21. Transportation Services	3,012,318	3,012,318	11,216,975
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	2,176,112	2,176,112	9,169,697
26. Subtotal (Lines 7 to 25)	112,738,085	112,738,085	453,357,978
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	55,747	55,747	220,571
29. Subrogation and Coordination of Benefits	606,538	606,538	1,854,556
30. Subtotal (Lines 27 to 29)	662,285	662,285	2,075,127
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	112,075,800	112,075,800	451,282,851
Administration:			
32. Compensation	7,633,989	7,633,989	18,105,240
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	2,432,324	2,432,324	9,799,831
36. Occupancy, Depreciation and Amortization	748,533	748,533	1,775,268
37. Other Administration (Provide Detail)	3,610,718	3,610,718	8,563,396
38. TOTAL ADMINISTRATION (Lines 32 to 37)	14,425,564	14,425,564	38,243,735
39. TOTAL EXPENSES (Lines 31 and 38)	126,501,364	126,501,364	489,526,586
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(1,709,807)	(1,709,807)	(47,975)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(3,175,356)	(3,175,356)	(89,097)
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	1,717,761	1,717,761	7,281,198
2502. Out of Area Claims Expense	289,187	289,187	1,805,360
2503. Bad Debt Expense	169,164	169,164	83,139
2599. TOTALS	2,176,112	2,176,112	9,169,697
3701. Equipment Rental	1,637,419	1,637,419	3,883,400
3702. Auditing, Actuarial, and Other Consulting	532,611	532,611	1,263,173
3703. Postage/Telephone	470,233	470,233	1,115,234
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	434,245	434,245	1,029,882
3705. Outsourced Services	377,866	377,866	896,170
3706. Printing and Stationary	158,344	158,344	375,537
3799. TOTALS	3,610,718	3,610,718	8,563,396

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
	Cash from Operations		
1.	Premiums collected net of reinsurance	(591,811)	1,685,363
2.	Net investment income	367,081	2,037,168
3.	Miscellaneous income		8,500,283
4.	Total (Lines 1 to 3)	(224,730)	12,222,814
5.	Benefit and loss related payments	(204,992)	(998,392)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	(3,369,886)	7,172,987
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses)	(1,212,621)	316,073
10.	Total (Lines 5 through 9)	(4,787,499)	6,490,668
11.	Net cash from operations (Line 4 minus Line 10)	4,562,769	5,732,146
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	2,000,000	13,200,000
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,000,000	13,200,000
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds		11,212,040
	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)		11,212,040
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	2,000,000	1,987,960
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	5,789,610	(7,134,419)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	5,789,610	(7,134,419)
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	12,352,379	585,687
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	9,500,226	8,914,539
	19.2 End of period (Line 18 plus Line 19.1)	21,852,605	9,500,226

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

	Description	Amount 1	Amount 2
20.0001			

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year										
2. First Quarter										
3. Second Quarter										
4. Third Quarter										
5. Current Year										
6. Current Year Member Months										
Total Member Ambulatory Encounters for Period:										
7. Physician	(48)								(48)	
8. Non-Physician	(12)								(12)	
9. Total	(60)								(60)	
10. Hospital Patient Days Incurred	(3)								(3)	
11. Number of Inpatient Admissions	(1)								(1)	
12. Health Premiums Written (a)	(7,114)								(7,114)	
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned	(7,114)								(7,114)	
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	(204,992)								(204,992)	
18. Amount Incurred for Provision of Health Care Services	(204,992)								(204,992)	

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

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

Aging Analysis of Unpaid Claims

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

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
1. Comprehensive (hospital & medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	(204,992)				(204,992)	
8. Other health						
9. Health subtotal (Lines 1 to 8)	(204,992)				(204,992)	
10. Healthcare receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals	(204,992)				(204,992)	

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

Notes to Financial Statement

1. Summary of Significant Accounting Policies

   A. Accounting Practices

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

   The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2008, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

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

   The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be increased and claims would be decreased $645 YTD. Since 2003, activity has been settled monthly on a cash basis.

   At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for premium taxes. The rationale behind the exclusion is that these assets have no economic benefit to VSHP. In addition to the aforementioned request, the TDCI has also requested VSHP show Shared Health, Inc. revenue on line 7 of the Statement of Revenues and Expenses as an aggregate write-in for other non-health revenues. The related off-setting expense is shown on line 29, aggregate write-ins for other income or expenses. The receivable from the State is shown on line 15 of the asset page and the liability to Shared Health, Inc. flows through line 15 of the liability page. This practice differs from the NAIC's *Accounting Practices and Procedures Manual* which requires the netting of revenues and expenses for ASO business in administrative expenses.

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

   No Change

   C. Accounting Policy

   No Change

2. Accounting Changes and Corrections of Errors

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

   No Change

3. Business Combinations and Goodwill

   No Change

4. Discontinued Operations

   No Change

5. Investments

   No Change

6. Joint Ventures, Partnerships and Limited Liability Companies

   No Change

7. Investment Income

   No Change

8. Derivative Instruments

   No Change

Notes to Financial Statement

9. Income Taxes

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

		March 31, 2008	December 31, 2007
(1)	Total of gross deferred tax assets (admitted and nonadmitted)	$ 258,477	$ 259,794
(2)	Total of deferred tax liabilities	11,488	5,678
(3)	Net deferred tax assets	246,989	254,116
(4)	Deferred tax assets nonadmitted	246,989	254,116
(5)	Net admitted deferred tax assets	$ 0	$ 0
(6)	Increase (decrease) in nonadmitted asset	$ (7,127)	$ (12,616)

B. No Change

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

	March 31, 2008	December 31, 2007	Change
Total deferred tax assets (admitted and non-admitted)	$ 258,477	$ 259,794	$ (1,317)
Total deferred tax liabilities	11,488	5,678	5,810
Net deferred tax assets (deferred assets less liabilities)	$ 246,989	$ 254,116	(7,127)
Tax effect of non-admitted assets			0
Change in net deferred income tax			$ (7,127)

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

	March 31, 2007	Effective Tax Rate
Provision computed at statutory rate	$ (1,205,494)	(35.0)%
Change in net deferred income taxes	(7,127)	(0.2)
Federal income taxes incurred	$ (1,212,621)	(35.2)%

E. No Change

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

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

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

10. Information Concerning Parent, Subsidiaries and Affiliates

A. BCBST owns 100% of BeneVive, Inc. (BeneVive) and Southern Diversified Business Services, Inc. (SDBS). BCBST also owns a 20% interest in TriServ Alliance, LLC (TriServ).

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

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

Notes to Financial Statement

exchange for 100 shares of BeneVive stock. BCBST made a capital contribution to SDBS, which consisted of all of the issued and outstanding shares of stock in Volunteer State Health Plan, Inc. (VSHP).

In addition, BCBST assigned to Riverbend all of its interests in Capstone Government Solutions, LLC, a joint venture limited liability company with CIGNA Government Services, LLC created for the purpose of bidding on and administering future Medicare fee-for-service contracts.

As a result of the January 1, 2007 restructure, BeneVive owns 100% of the for-profit corporations Shared Health and Gordian. Shared Health is a health information technology company. Gordian, in conjunction with its wholly-owned subsidiaries, Continental Health Promotion, Inc. (CHP) and Eris Survey Systems, Inc. (ESS), mitigates the rising cost of health care by encouraging the formation of healthy lifestyle behaviors and providing case management for existing illnesses.

BeneVive also owns 100% of the for-profit corporations Riverbend, Security Care, and RiverTrust. Riverbend was incorporated in 2002 to perform services as a Medicare Administrative Contractor or subcontractor for the Centers for Medicare and Medicaid Services pursuant to the Medicare Modernization Act of 2003. Riverbend holds a 50% interest in Capstone Government Solutions, LLC, a joint venture limited liability company with CIGNA Government Services, LLC created for the purpose of bidding on and administering future Medicare fee-for-service contracts. Security Care was incorporated in 2004 as a wholly-owned subsidiary of SDBS to bid on a Request for Proposal to manage Medicare's Chronic Care Improvement Program. RiverTrust was established in 2003 as a wholly-owned subsidiary of SDBS, and on September 7, 2006 became a Qualified Independent Contractor able to bid on Medicare appeals workloads.

As of March 31, 2008, 380 shares of RiverTrust stock have been issued to BeneVive in exchange for $1,900,000 while no shares have been issued for Riverbend. Shares will be issued in the future as Riverbend is funded, up to a maximum of 1,000 shares. BCBST transferred $1,877,000 in 2008 and $12,362,946 in 2007 to BeneVive as additional capital contributions.

As a result of the January 1, 2007 restructure, SDBS owns 100% of the following for-profit corporations: Golden Security Insurance Company (Golden Security), Group Insurance Services, Inc. (GIS), and Volunteer State Health Plan, Inc. (VSHP). Golden Security, an inactive corporation, is licensed to provide health, term life, disability and other insurance coverage to its policyholders. GIS is an insurance broker. BCBST participates in the TennCare^{SM} program through its Managed Care Organization (MCO), VSHP, which is contracted by the State of Tennessee to provide services for TennCare^{SM} members. In 2008, SDBS exchanged the 10% interest it owned in USAble Life, Inc. (USAble) as well as the USAble profit sharing rights held by GIS for a 6.6% interest in Life and Specialty Ventures, LLC (LSV), which is the parent company of USAble.

TriServ is a limited liability company formed in 2007 with six other non-investor owned Blue Cross and Blue Shield plans in the southern United States. TriServ's primary purpose is to jointly pursue an opportunity with TRICARE, a service of the U.S. Department of Defense, to administer the Managed Care Support contract for the South Region. BCBST transferred $1,000,000 and $3,000,000 to TriServ in 2008 and 2007, respectively.

In 2007, GDRG, LLC (GDRG) was absorbed by BCBST and all of the assets and liabilities of GDRG were transferred by operation of law to the accounts of the parent. Formed in 2004, GDRG was a limited liability company whose primary purpose was to acquire, own, hold, maintain, operate, and develop real property. This move consolidated the ownership of BCBST's new campus property into a single entity at the parent level. Prior to this, GDRG was a wholly-owned subsidiary of BCBST.

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

Southern Health Plan, Inc. (SHP), doing business as BlueCross BlueShield of Tennessee Community Trust, is a Tennessee corporation created for the purpose of improving the quality of health care in Tennessee, primarily through contributions to other tax-exempt organizations. As part of the corporate restructuring, effective January 1, 2007, SHP amended its bylaws to reflect that BCBST will govern and oversee SHP and appoint its board of directors. Prior to January 1, 2007, SDBS appointed the board of directors of SHP. SHP has been granted a 501(c)(4) tax exemption by the Internal Revenue Service.

The statutory value of VSHP amounting to $29,131,570 as of March 31, 2008 is nonadmitted, since VSHP is now the subsidiary of a non-audited holding company (SDBS) rather than held directly by BCBST. The Company has administrative services agreements with the Parent for which the Parent provides administrative services and is reimbursed. A tax sharing agreement also exists. These amounts are settled on a monthly basis

Notes to Financial Statement

B. No Change.

C. The Company paid $5,278 and $73,627,933 in 2008 and 2007 respectively, to the Parent for services performed under the administrative services.

D. The Company reported $12,846,452 and $7,270,099 as amounts due to the Parent in 2008 and 2007 respectively.

E. No Change

F. No Change

G. No Change

H. No Change

I. No Change

J. No Change

K. No Change

L. No Change

11. Debt

No Change

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

No Change

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

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

a.	unrealized gains and losses:	Not Applicable
b.	nonadmitted asset values:	$246,989
c.	separate account business	Not Applicable
d.	asset valuation	Not Applicable
e.	provision for reinsurance:	Not Applicable

14. Contingencies

No Change

15. Leases

No Change

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

No Change

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

C. Wash Sales

No Change

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

A. ASO Plans

TennCare℠ Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per Administrative Services Agreements, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCare℠ Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). Cash and invested assets related to TennCare℠ Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCare℠ Select and the Stabilization Plan are netted on p. 2, line 15. Assets deemed to have no economic benefit to VSHP, such as premium tax receivable from the State of Tennessee, are netted against premium tax payable to the State of Tennessee to avoid overstatement of assets and

Notes to Financial Statement

liabilities. Liabilities for the ASO plans are netted on page 3, line 20 in the category labeled "Liability for amounts held under uninsured accident and health plans", excluding any 'due to/from' transactions occurring between the ASO, insured business, and the Parent.

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

Uninsured Receivables		Amount
a. TPL Recovery Expenses	$	1,873,735
b. Minimum Financial Guaranty		5,088,212*
c. Unbilled Expenses (timing differences)		(262,868)
Total Amounts Receivable Relating to Uninsured Plans	$	6,699,079

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

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

	(1) ASO Uninsured Plans	(2) Uninsured Portion of Partially Insured Plans	(3) Total ASO
a. Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of actual expenses	$ (4,074,696)	0	$ (4,074,696)
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	(439)	0	(439)
c. Net Gain or (Loss) from operations	$ (4,075,135)	0	$ (4,075,135)
d. Total Claims Payment Volume	$ 191,732,598	0	$ 191,732,598

B. ASC Plans

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

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

Not Applicable

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

No Change

20. Other Items

No Change

21. Events Subsequent

VSHP was notified April 22nd of winning the bids for the West and East regions for the TennCare population. The risk contract for the West and East regions will be effective November 1, 2008 and January 1, 2009, respectively.

22. Reinsurance

No Change

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

No Change

24. Change in Incurred Claims and Claim Adjustment Expenses

No Change

25. Intercompany Pooling Arrangements

No Change

Notes to Financial Statement

26. Structured Settlements

    No Change

27. Health Care Receivables

    No Change

28. Participating Policies

    No Change

29. Premium Deficiency Reserve

    No Change

30. Anticipated Salvage and Subrogation

    No Change

GENERAL INTERROGATORIES

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

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

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

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

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

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

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2006
6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2006
6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/11/2007
6.4 By what department or departments?
Tennessee Department of Commerce and Insurance
6.5 Have any financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes[X] No[ ] N/A[ ]
6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[X] No[ ] N/A[ ]

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

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

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

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

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[ ] No[X]
10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

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

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

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

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

GENERAL INTERROGATORIES (Continued)

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

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

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[ ]
16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

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

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes[ ] No[X]
16.4 If yes, give full and complete information relating thereto:

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

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

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

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

SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

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

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

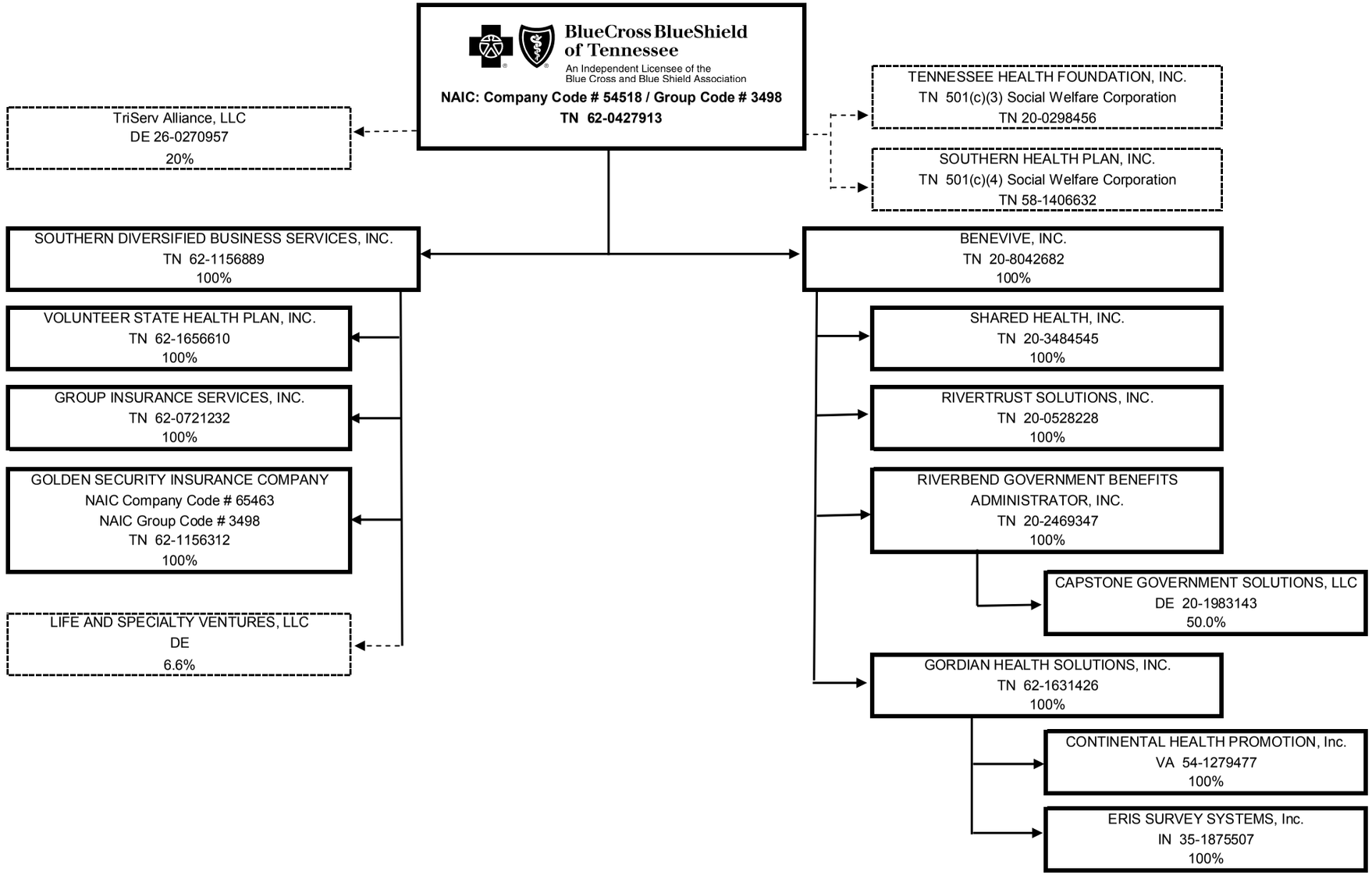
		Direct Business Only							
	1	2	3	4	5	6	7	8	9
State, Etc.	Active Status	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama (AL)	N								
2. Alaska (AK)	N								
3. Arizona (AZ)	N								
4. Arkansas (AR)	N								
5. California (CA)	N								
6. Colorado (CO)	N								
7. Connecticut (CT)	N								
8. Delaware (DE)	N								
9. District of Columbia (DC)	N								
10. Florida (FL)	N								
11. Georgia (GA)	N								
12. Hawaii (HI)	N								
13. Idaho (ID)	N								
14. Illinois (IL)	N								
15. Indiana (IN)	N								
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	N								
19. Louisiana (LA)	N								
20. Maine (ME)	N								
21. Maryland (MD)	N								
22. Massachusetts (MA)	N								
23. Michigan (MI)	N								
24. Minnesota (MN)	N								
25. Mississippi (MS)	N								
26. Missouri (MO)	N								
27. Montana (MT)	N								
28. Nebraska (NE)	N								
29. Nevada (NV)	N								
30. New Hampshire (NH)	N								
31. New Jersey (NJ)	N								
32. New Mexico (NM)	N								
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	N								
37. Oklahoma (OK)	N								
38. Oregon (OR)	N								
39. Pennsylvania (PA)	N								
40. Rhode Island (RI)	N								
41. South Carolina (SC)	N								
42. South Dakota (SD)	N								
43. Tennessee (TN)	L			(7,114)				(7,114)	
44. Texas (TX)	N								
45. Utah (UT)	N								
46. Vermont (VT)	N								
47. Virginia (VA)	N								
48. Washington (WA)	N								
49. West Virginia (WV)	N								
50. Wisconsin (WI)	N								
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	N								
55. U.S. Virgin Islands (VI)	N								
56. Northern Mariana Islands (MP)	N								
57. Canada (CN)	N								
58. Aggregate other alien (OT)	XXX								
59. Subtotal	XXX			(7,114)				(7,114)	
60. Reporting entity contributions for Employee Benefit Plans	XXX								
61. Total (Direct Business)	(a) 1			(7,114)				(7,114)	
DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX								

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement

00000200836500001 (NAIC code not entered) 2008 Document Code: 365

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104.				
2105.				
2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196)				

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
0604. Meharry Payments	XXX		(3,250,000)	(6,500,000)
0605. Trauma Center Payments	XXX			(13,787,600)
0606. Essential Provider Payments (EPP)	XXX		(50,000,000)	(75,000,000)
0607.	XXX			
0697. Summary of remaining write-ins for Line 6 (Lines 0604 through 0696)	XXX		(53,250,000)	(95,287,600)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
4704.			
4705.			
4706.			
4707.			
4708.			
4709.			
4710.			
4711.			
4712.			
4713.			
4714.			
4715.			
4716.			
4717.			
4718.			
4797. Summary of remaining write-ins for Line 47 (Lines 4704 through 4796)			

SCHEDULE A - VERIFICATION

Real Estate

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Cost of acquired		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Current year change in encumbrances		
4.	Total gain (loss) on disposals		
5.	Deduct amounts received on disposals		
6.	Total foreign exchange change in book/adjusted carrying va		
7.	Deduct current year's other than temporary impairment recognized		
8.	Deduct current year's depreciation		
9.	Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10.	Deduct total nonadmitted amount		
11.	Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

		1 Year To Date	2 Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest, December 31 of prior year		
2.	Cost of acquired:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Capitalized deferred interest and other		
4.	Accrual of discount		
5.	Unrealized valuation increase (decrease)		
6.	Total gain (loss) on disposals		
7.	Deduct amounts received on disposals		
8.	Deduct amortization of premium and mortgage interest poi		
9.	Total foreign exchange change in book value/recorded investment excluding accrued interest		
10.	Deduct current year's other than temporary impairment recognized		
11.	Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12.	Deduct total nonadmitted accounts		
13.	Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	Description	1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Cost of acquired:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Capitalized deferred interest and other		
4.	Accrual of discount		
5.	Unrealized valuation increase (decrease)		
6.	Total gain (loss) on disposals		
7.	Deduct amounts received on disposals		
8.	Deduct amortization of premium and depreciation		
9.	Total foreign exchange change in book/adjusted carrying value		
10.	Deduct current year's other than temporary impairment recognized		
11.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12.	Deduct total nonadmitted amounts		
13.	Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	26,433,012	28,556,862
2.	Cost of bonds and stocks acquired		11,212,040
3.	Accrual of discount	4,344	16,601
4.	Unrealized valuation increase (decrease)		
5.	Total gain (loss) on disposals		(2,597)
6.	Deduct consideration for bonds and stocks disposed of	2,000,000	13,200,000
7.	Deduct amortization of premium	34,376	149,894
8.	Total foreign exchange change in book/adjusted carrying value		
9.	Deduct current year's other than temporary impairment recognized		
10.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	24,402,980	26,433,012
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)	24,402,980	26,433,012

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	29,850,957	17,100,195	7,884,943	(30,032)	39,036,177			29,850,957
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	29,850,957	17,100,195	7,884,943	(30,032)	39,036,177			29,850,957
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	29,850,957	17,100,195	7,884,943	(30,032)	39,036,177			29,850,957

Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 $.....14,633,197; NAIC 2 $.....0; NAIC 3 $.....0; NAIC 4 $.....0; NAIC 5 $.....0; NAIC 6 $.....0

SCHEDULE DA - PART 1

Short - Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. Totals	14,633,197	X X X	14,633,197	199,223	

SCHEDULE DA - Verification

Short-Term Investments

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	3,417,945	2,058,551
2.	Cost of short-term investments acquired	17,100,195	188,238,856
3.	Accrual of discount		
4.	Unrealized valuation increase (decrease)		
5.	Total gain (loss) on disposals		
6.	Deduct consideration received on disposals	5,884,943	186,879,462
7.	Deduct amortization of premium		
8.	Total foreign exchange change in book/adjusted carrying value		
9.	Deduct current year's other than temporary impairment recognized		
10.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	14,633,197	3,417,945
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)	14,633,197	3,417,945

SCHEDULE DB - PART F - SECTION 1

Summary of Replicated (Synthetic) Assets Open

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

QSI04

SCHEDULE DB - PART F - SECTION 2

Reconciliation of Replicated (Synthetic) Assets Open

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

NONE

SCHEDULE E - Verification

(Cash Equivalents)

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Cost of cash equivalents acquired		
3.	Accrual of discount		
4.	Unrealized valuation increase (decrease)		
5.	Total gain (loss) on disposals		
6.	Deduct consideration received on dis		
7.	Deduct amortization of premium		
8.	Total foreign exchange change in boo		
9.	Deduct current year's other than temporary impairment recognized		
10.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)		
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)		

NONE

SCHEDULE A - PART 2

Showing all Real Estate ACQUIRED and Additions Made During the Current Quarter

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

SCHEDULE A - PART 3

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

1	Location		4	5	6	7	8	Change in Book/Adjusted Carrying Value Less Encumbrances					14	15	16	17	18	19	20
	2	3						9	10	11	12	13							
Description of Property	City	State	Disposal Date	Name of Purchaser	Actual Cost	Expended for Additions, Permanent Improvements and Changes in Encumbrances	Book/Adjusted Carrying Value Less Encumbrances Prior Year	Current Year's Depreciation	Current Year's Other Than Temporary Impairment Recognized	Current Year's Change in Encumbrances	Total Change in B/A C.V. (11 - 9 - 10)	Total Foreign Exchange Change in B/A C.V.	Book/Adjusted Carrying Value Less Encumbrances	Amounts Received During Year	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Gross Income Earned Less Interest Incurred on Encumbrances	Taxes, Repairs and Expenses Incurred
NONE																			
0399999 Totals																			

SCHEDULE B - PART 2

Showing All Mortgage Loans ACQUIRED During the Current Quarter

1	Location		4	5	6	7	8	9
	2	3						
Loan Number	City	State	Loan Type	Date Acquired	Rate of Interest	Actual Cost at Time of Acquisition	Additional Investment Made After Acquisition	Value of Land and Buildings
NONE								
3399999 GRAND TOTAL								

SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

1	Location		4	5	6	7	Change in Book Value/Recorded Investment						14	15	16	17	18
	2	3					8	9	10	11	12	13					
Loan Number	City	State	Loan Type	Date Acquired	Disposal Date	Book Value/Recorded Investment Excluding Accrued Interest Prior Year	Unrealized Valuation Increase (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Capitalized Deferred Interest and Other	Total Change in Book Value (8+9-10+11)	Total Foreign Exchange Change in Book Value	Book Value/Recorded Investment Excluding Accrued Interest on Disposal	Consider-ation	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal
NONE																	
0599999 Totals																	

QE02

SCHEDULE BA - PART 2

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

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

SCHEDULE BA - PART 3

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

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

SCHEDULE D - PART 3

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

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

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

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments																					
3133XCWS8	FEDERAL HOME LOAN BANK		02/24/2008	CALLED @ 100.0000000	XXX	2,000,000	2,000,000.00	2,000,000	2,000,000						2,000,000				48,750	08/24/2010	1
0399999 Subtotal - Bonds - U.S. Governments					XXX	2,000,000	2,000,000.00	2,000,000	2,000,000						2,000,000				48,750	XXX	XXX
6099997 Subtotal - Bonds - Part 4					XXX	2,000,000	2,000,000.00	2,000,000	2,000,000						2,000,000				48,750	XXX	XXX
6099998 Summary Item from Part 5 for Bonds (N/A to Quarterly)					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
6099999 Subtotal - Bonds					XXX	2,000,000	2,000,000.00	2,000,000	2,000,000						2,000,000				48,750	XXX	XXX
6599998 Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7299998 Summary Item from Part 5 for Common Stocks (N/A to Quarterly)					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7399999 Subtotal - Preferred and Common Stocks					XXX		XXX													XXX	XXX
7499999 Total - Bonds, Preferred and Common Stocks					XXX	2,000,000	XXX	2,000,000	2,000,000						2,000,000				48,750	XXX	XXX

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

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

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

SCHEDULE DB - PART B - SECTION 1

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

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

SCHEDULE DB - PART C - SECTION 1

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

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

SCHEDULE DB - PART D - SECTION 1

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

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

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
							6	7	8	
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
open depositories										
Regions Bank	601 Market Street, Chattanooga, TN 37402						10,776,445	2,779,148	2,617,679	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						2,516,833	2,514,102	2,518,679	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						558,086	1,355,531	1,097,947	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						11,960,370	1,183,442	533,521	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						314,930	321,574	332,250	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						718,032	820,200	109,332	X X X
0199998 Deposits in .....1 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X	X X X			10,000	10,000	10,000	X X X
0199999 Totals - Open Depositories			X X X	X X X			26,854,696	8,983,997	7,219,408	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X	X X X						X X X
0299999 Totals - Suspended Depositories			X X X	X X X						X X X
0399999 Total Cash On Deposit			X X X	X X X			26,854,696	8,983,997	7,219,408	X X X
0499999 Cash in Company's Office			X X X	X X X	X X X	X X X				X X X
0599999 Total Cash			X X X	X X X			26,854,696	8,983,997	7,219,408	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8799999 Total - Cash Equivalents							

00000200836500001 (NAIC code not entered) 2008 Document Code: 365

MEDICARE PART D COVERAGE SUPPLEMENT

Net of Reinsurance

For the Quarter Ended March 31, 2008

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

	Individual Coverage		Group Coverage		5
	1 Insured	2 Uninsured	3 Insured	4 Uninsured	Total Cash
1. Premiums Collected		X X X		X X X	
2. Earned Premiums		X X X		X X X	X X X
3. Claims Paid		X X X		X X X	
4. Claims Incurred		X X X		X X X	X X X
5. Reinsurance Coverage and Low Income Cost Sharing - Claims Paid Net of Reimbursements Applied (a)			X X X		
6. Aggregate Policy Reserves - change				X X X	X X X
7. Expenses Paid				X X X	
8. Expenses Incurred		X X X		X X X	X X X
9. Underwriting Gain or Loss		X X X		X X X	X X X
10. Cash Flow Results	X X X	X X X	X X X	X X X	

NONE

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

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EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

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

EXHIBIT 3 - HEALTH CARE RECEIVABLES

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

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

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

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
BlueCross BlueShield of Tennessee	ITS claims, minimum financial guaranty and miscellaneous	12,846,452	7,102,760	5,743,692
0199999 Total - Individually listed payables	XXX	12,846,452	7,102,760	5,743,692
0299999 Payables not individually listed	XXX			
0399999 Total gross payables	XXX	12,846,452	7,102,760	5,743,692