

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	32,632,849		32,632,849	54,143,000
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	0		0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$2,968,675 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$19,709,091 , Schedule DA).....	22,677,766		22,677,766	2,411,620
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	55,310,615	0	55,310,615	56,554,620
11. Title plants less \$charged off (for Title Insurers only)			0	0
12. Investment income due and accrued	391,685		391,685	757,046
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection			0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans	246,068		246,068	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset.....	3,771,296	3,771,296	0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates			0	0
22. Health care (\$) and other amounts receivable.....	24,050		24,050	0
23. Aggregate write-ins for other than invested assets	1,211,173	0	1,211,173	224
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	60,954,887	3,771,296	57,183,591	57,311,890
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	60,954,887	3,771,296	57,183,591	57,311,890
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Performance Guarantee Receivable.....	1,211,173		1,211,173	0
2302. A/R State Admin.....			0	224
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,211,173	0	1,211,173	224

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)			0	0
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses			0	0
4. Aggregate health policy reserves			0	5,903,520
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	17,649		17,649	19,100
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	3,624,467		3,624,467	0
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	8,859,678	0	8,859,678	12,240,037
22. Total liabilities (Lines 1 to 21)	12,501,794	0	12,501,794	18,162,657
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	1,000	1,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	61,379,848	61,379,848
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	(16,699,051)	(22,231,615)
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	44,681,797	39,149,233
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	57,183,591	57,311,890
DETAILS OF WRITE-INS				
2101. Accrued Run-Out Costs	8,740,987		8,740,987	10,029,960
2102. Unclaimed Property	118,691		118,691	121,141
2103. Penalty Reserve			0	445,800
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	1,643,136
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	8,859,678	0	8,859,678	12,240,037
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	0	0
2. Net premium income (including \$0 non-health premium income).....	XXX	0	0
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	3,653,634
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	0	3,653,634
Hospital and Medical:			
9. Hospital/medical benefits		(53,966)	0
10. Other professional services			0
11. Outside referrals			0
12. Emergency room and out-of-area			0
13. Prescription drugs			(22,860)
14. Aggregate write-ins for other hospital and medical.....	0	(170,659)	(129,137)
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15)	0	(224,625)	(151,997)
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	(224,625)	(151,997)
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$(772) cost containment expenses.....		(6,110)	1,159,954
21. General administrative expenses.....		(3,141,243)	2,239,962
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....			0
23. Total underwriting deductions (Lines 18 through 22)	0	(3,371,978)	3,247,919
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	3,371,978	405,715
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		2,992,277	2,313,664
26. Net realized capital gains (losses) less capital gains tax of \$		(2,730,798)	(71,466)
27. Net investment gains (losses) (Lines 25 plus 26)	0	261,478	2,242,198
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	25,000	0
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	3,658,456	2,647,913
31. Federal and foreign income taxes incurred	XXX	(1,525,738)	(107,346)
32. Net income (loss) (Lines 30 minus 31)	XXX	5,184,194	2,755,259
DETAILS OF WRITE-INS			
0601. Miscellaneous Income.....	XXX		3,653,634
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	3,653,634
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 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Recoveries.....		(170,659)	(129,137)
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	(170,659)	(129,137)
2901. Miscellaneous Income.....	0	25,000	0
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	25,000	0

STATEMENT OF REVENUE AND EXPENSES (continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	39,149,233	33,552,546
34. Net income or (loss) from Line 32	5,184,194	2,755,259
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$68,801	127,775	0
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax	(2,540,148)	(1,033,059)
39. Change in nonadmitted assets	2,760,743	3,874,487
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	5,532,564	5,596,687
49. Capital and surplus end of reporting period (Line 33 plus 48)	44,681,797	39,149,233
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 through 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance.....	(5,903,520)	0
2. Net investment income.....	3,595,647	2,594,584
3. Miscellaneous income.....		3,653,634
4. Total (Lines 1 through 3).....	(2,307,873)	6,248,218
5. Benefit and loss related payments.....	(230,735)	791,923
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	(2,918,724)	2,631,979
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	(1,525,738)	862,425
10. Total (Lines 5 through 9).....	(4,675,197)	4,286,327
11. Net cash from operations (Line 4 minus Line 10).....	2,367,324	1,961,891
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	119,774,894	21,056,223
12.2 Stocks.....	0	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0
12.7 Miscellaneous proceeds.....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	119,774,894	21,056,223
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	101,036,976	24,306,582
13.2 Stocks.....	0	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	101,036,976	24,306,582
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14).....	18,737,918	(3,250,359)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	0	0
16.6 Other cash provided (applied).....	(839,096)	0
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(839,096)	0
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).....	20,266,146	(1,288,468)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	2,411,620	3,700,088
19.2 End of year (Line 18 plus Line 19.1).....	22,677,766	2,411,620

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	0	0	0	0	0	0	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	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	0
7. Total revenues (Lines 1 to 6)	0	0	0	0	0	0	0	0	0	0
8. Hospital/medical/ benefits	(53,966)							(53,966)		XXX
9. Other professional services	0									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	(170,659)	0	0	0	0	0	0	(170,659)	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0									XXX
15. Subtotal (Lines 8 to 14)	(224,625)	0	0	0	0	0	0	(224,625)	0	XXX
16. Net reinsurance recoveries	0									XXX
17. Total hospital and medical (Lines 15 minus 16)	(224,625)	0	0	0	0	0	0	(224,625)	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ (772) cost containment expenses	(6,110)							(6,110)		
20. General administrative expenses	(3,141,243)							1,969,038	(5,110,281)	
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	(3,371,978)	0	0	0	0	0	0	1,738,303	(5,110,281)	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	3,371,978	0	0	0	0	0	0	(1,738,303)	5,110,281	0
DETAILS OF WRITE-INS										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		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	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Other Medical and Hospital	(170,659)							(170,659)		XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	(170,659)	0	0	0	0	0	0	(170,659)	0	XXX

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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.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8) .....	.0	.0	.0	.0
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	0	0	0	0

NONE

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	(224,625)							(224,625)		
1.2 Reinsurance assumed .....	.0									
1.3 Reinsurance ceded .....	.0									
1.4 Net	(224,625)	0	0	0	0	0	0	(224,625)	0	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	0	0	0	0	0	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	0	0	0	0	0	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	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0									
6. Net healthcare receivables (a)	0									
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	0	0	0	0	0	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	0	0	0	0	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0									
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred Benefits:										
12.1 Direct	(224,625)	0	0	0	0	0	0	(224,625)	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	(224,625)	0	0	0	0	0	0	(224,625)	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

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

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other Health	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
2. Incurred but Unreported:										
2.1. Direct	0									
2.2. Reinsurance assumed	0									
2.3. Reinsurance ceded	0									
2.4. Net	0	0	0	0	0	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
4. TOTALS:										
4.1. Direct	0	0	0	0	0	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4. Net	0	0	0	0	0	0	0	0	0	0

NONE

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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 Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....					.0	.0
2. Medicare Supplement .....					.0	.0
3. Dental Only.....					.0	.0
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan Premiums .....					.0	.0
6. Title XVIII - Medicare .....					.0	.0
7. Title XIX - Medicaid.....	(224,625)				(224,625)	.0
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	(224,625)	.0	.0	.0	(224,625)	.0
10. Healthcare receivables (a).....					.0	.0
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts .....					.0	.0
13. Totals (Lines 9 - 10 + 11 + 12)	(224,625)	0	0	0	(224,625)	0

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

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	299,929	288,742	288,742	288,742	.64,117
2. 2004 .....	.0	.0	.0	.0	
3. 2005	XXX	.0	.0	.0	
4. 2006	XXX	XXX	.0	.0	
5. 2007	XXX	XXX	XXX	.0	
6. 2008	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	335,903	335,161	288,742	288,742	.64,117
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 20040	.0		.0	.0	.0			.0	.0
2. 20050	.0		.0	.0	.0			.0	.0
3. 20060	.0		.0	.0	.0			.0	.0
4. 20070	.0		.0	.0	.0			.0	.0
5. 2008		0		0.0	0	0.0			0	0.0

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	299,929	288,742	288,742	288,742	64,117
2. 2004 .....	.0	.0	.0	.0	.0
3. 2005	XXX	.0	.0	.0	.0
4. 2006	XXX	XXX	.0	.0	.0
5. 2007	XXX	XXX	XXX	.0	.0
6. 2008	XXX	XXX	XXX	XXX	0

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	335,903	335,161	288,742	288,742	64,117
2. 2004 .....	.0	.0	.0	.0	.0
3. 2005	XXX	.0	.0	.0	.0
4. 2006	XXX	XXX	.0	.0	.0
5. 2007	XXX	XXX	XXX	.0	.0
6. 2008	XXX	XXX	XXX	XXX	0

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004 .....	.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
2. 2005 .....	.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
3. 2006 .....	.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
4. 2007 .....	.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
5. 2008	0	0	0	0.0	0	0.0	0	0	0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	.0								
2. Additional policy reserves (a) .....	.0								
3. Reserve for future contingent benefits .....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income) .....	.0								
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4) .....	.0								
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0

NONE

(a) Includes \$ premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ for occupancy of own building).....	(51)	(349)	655,791	71	655,462
2. Salaries, wages and other benefits.....	(451)	(3,114)	(759,326)	635	(762,256)
3. Commissions (less \$ ceded plus \$ assumed.....)					0
4. Legal fees and expenses.....			2,890		2,890
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....					0
7. Traveling expenses.....					0
8. Marketing and advertising.....					0
9. Postage, express and telephone.....	(58)	(401)	656,436	82	656,059
10. Printing and office supplies.....			9,926		9,926
11. Occupancy, depreciation and amortization.....	(11)	(75)	106,432	15	106,361
12. Equipment.....					0
13. Cost or depreciation of EDP equipment and software.....	(85)	(585)	148,990	119	148,439
14. Outsourced services including EDP, claims, and other services.....	(116)	(814)	1,004,822	166	1,004,058
15. Boards, bureaus and association fees.....					0
16. Insurance, except on real estate.....			137,856		137,856
17. Collection and bank service charges.....			1,323		1,323
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....			(5,110,281)		(5,110,281)
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.....			(10,738)		(10,738)
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			14,600		14,600
23.4 Payroll taxes.....			35		35
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	(772)	(5,338)	(3,141,244)	1,088	(3,146,266)
27. Less expenses unpaid December 31, current year.....			17,649		17,649
28. Add expenses unpaid December 31, prior year.....	0	0	19,100	0	19,100
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....			246,068		246,068
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	(772)	(5,338)	(2,893,725)	1,088	(2,898,747)
DETAIL OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	0	0	0	0	0

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

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 398,236	485,819
1.1 Bonds exempt from U.S. tax	(a) 1,373,133	1,519,605
1.2 Other bonds (unaffiliated)	(a) 877,360	880,576
1.3 Bonds of affiliates	(a) 0	0
2.1 Preferred stocks (unaffiliated)	(b) 0	0
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	0	0
2.21 Common stocks of affiliates	0	0
3. Mortgage loans	(c) 0	0
4. Real estate	(d) 0	0
5. Contract loans	0	0
6. Cash, cash equivalents and short-term investments	(e) 87,593	83,273
7. Derivative instruments	(f) 0	0
8. Other invested assets	0	0
9. Aggregate write-ins for investment income	24,093	24,093
10. Total gross investment income	2,760,415	2,993,366
11. Investment expenses		(g) 1,089
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)
15. Aggregate write-ins for deductions from investment income		0
16. Total deductions (Lines 11 through 15)		1,089
17. Net investment income (Line 10 minus Line 16)		2,992,277
DETAILS OF WRITE-INS		
0901. Miscellaneous Investment Income	24,093	24,093
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	24,093	24,093
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		0

- (a) Includes \$ 49,339 accrual of discount less \$ 287,349 amortization of premium and less \$ 37,642 paid for accrued interest on purchases.
 (b) Includes \$ accrual of discount less \$ 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 \$ paid for accrued interest on purchases.
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
 (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
 (f) Includes \$ accrual of discount less \$ amortization of premium.
 (g) Includes \$ 1,089 investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
 (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5. Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds			0		
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	(2,730,798)		(2,730,798)	196,576	0
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	0	0
2.21 Common stocks of affiliates	0	0	0	0	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	0	0	0	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	(2,730,798)	0	(2,730,798)	196,576	0
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premiums.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	3,771,296	6,380,244	2,608,948
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	151,795	151,795
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	3,771,296	6,532,039	2,760,743
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	3,771,296	6,532,039	2,760,743
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0

Exhibit 1 - Enrollment by Product Type

NONE

Exhibit 2 - A&H Premiums Due and Unpaid

NONE

Exhibit 3 - Health Care Receivables

NONE

Exhibit 4 - Claims Unpaid

NONE

Exhibit 5 - Amounts Due From Parent, Subs

NONE

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
Humana Inc	Reimbursements from expenditures made..... directly by Humana Inc. for the benefit of Preferred Health Partnership of Tennessee, Inc. or for the services provided by Humana Inc. for the company..... The direct expenditures include payments..... for medical related items, trade payables, and payroll related items. The services provided include and are not limited to actuarial underwriting, billing enrollments, claim administration, customer services,..... utilization management, prior authorization, quality management, accounting, financial analysis, legal, tax, budgeting, data processing, and marketing.....	3,624,467	3,624,467	
0199999 Individually listed payables.....		3,624,467	3,624,467	0
0299999 Payables not individually listed				
0399999 Total gross payables		3,624,467	3,624,467	0

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

EXHIBIT 7 PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total Payments	3 Total Members Covered	4 Column 3 as a % of Total Members	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups .....	.0	.0.0		.0.0		
2. Intermediaries .....	.0	.0.0		.0.0		
3. All other providers .....	.0	.0.0		.0.0		
4. Total capitation payments .....	.0	.0.0	0	.0.0	0	.0
Other Payments:						
5. Fee-for-service .....	.0	.0.0	XXX	XXX		
6. Contractual fee payments	(224,625)	100.0	XXX	XXX		(224,625)
7. Bonus/withhold arrangements - fee-for-service .....	.0	.0.0	XXX	XXX		
8. Bonus/withhold arrangements - contractual fee payments .....	.0	.0.0	XXX	XXX		
9. Non-contingent salaries .....	.0	.0.0	XXX	XXX		
10. Aggregate cost arrangements .....	.0	.0.0	XXX	XXX		
11. All other payments .....	.0	.0.0	XXX	XXX		
12. Total other payments	(224,625)	100.0	XXX	XXX	0	(224,625)
13. Total (Line 4 plus Line 12)	(224,625)	100 %	XXX	XXX	0	(224,625)

EXHIBIT 7 - 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					
9999999 Totals			XXX	XXX	XXX

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EXHIBIT 8 – 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	NONE					
2. Medical furniture, equipment and fixtures						
3. Pharmaceuticals and surgical supplies						
4. Durable medical equipment						
5. Other property and equipment						
6. Total	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Insurance.

The Tennessee Insurance Department 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 Florida Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (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 other specific practices that deviate from prescribed practices. No deviations exist.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Florida is shown below:

	State of Domicile		2008		2007
1. Net Income, Tennessee basis	TN	\$	5,184,195	\$	2,755,259
2. State Prescribed Practices (Income):	TN		-		-
3. State Permitted Practices (Income):	TN		-		-
4. Net Income, NAIC SAP	TN	\$	5,184,195	\$	2,755,259
5. Statutory Surplus, Tennessee basis	TN	\$	44,681,797	\$	39,149,233
6. State Prescribed Practices (Surplus):	TN		-		-
7. State Permitted Practices (Surplus):	TN		-		-
8. Statutory Surplus, NAIC SAP	TN	\$	44,681,797	\$	39,149,233

B. Use of Estimates in the 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 expenses during the period. These estimates are based on knowledge of current events and anticipated future events, and accordingly, actual results could differ from those estimates.

C. Accounting Policy

Short-term investments include investments mainly in U.S. Government obligations with a maturity of twelve months or less from the date of purchase. Short-term investments are recorded at amortized cost. The carrying value of short-term investments approximates fair value due to the short-term maturities of the investments.

Investments are valued and classified in accordance with methods prescribed by the NAIC. Bonds with an NAIC rating of 1 or 2 are carried at amortized cost, with all other bonds being recorded at the lower of amortized cost or fair value.

The Company regularly evaluates investment securities for impairment. The Company considers factors affecting the investee, factors affecting the industry the investee operates within, and general debt and equity market trends. The Company also considers the length of time an investment's fair value has been below carrying value, the near term prospects for recovery to carrying value, and the Company's intent and ability to hold the investment until maturity or market recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other-than-temporary, the related investment is written down to its estimated fair value through earnings.

Amortization of bond premium or discount is computed using the scientific interest method.

Income from investments is recorded on an accrual basis. For the purpose of determining realized gains and losses, the cost of securities sold is based upon specific identification. Investment income due and accrued over 90 days past due is nonadmitted.

The Company recognizes an asset or liability for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. The temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled.

Premiums are reported as earned in the period in which members are entitled to receive services, and are net of retroactive membership adjustments. Retroactive membership adjustments result from enrollment changes not yet processed, or not yet reported by an employer group or the government. Premiums received prior to such period are recorded as advance premiums.

Benefits incurred and loss adjustment expenses include claim payments, capitation payments, pharmacy costs net of rebates, allocations of certain centralized expenses, legal and administrative costs to settle claims, and various other costs incurred to provide health insurance coverage to members, as well as estimates of future payments to hospitals and others for medical care provided prior to the date of the statements of admitted assets, liabilities and surplus. Capitation payments represent monthly contractual fees disbursed to participating primary care physicians, and other providers who are responsible for providing medical care to members. Pharmacy costs represent payments for members' prescription drug benefits, net of rebates from drug manufacturers.

The estimates of future medical benefit payments are developed using actuarial methods and assumptions based upon claim payment patterns, medical cost inflation, historical development such as claim inventory levels and claim receipt patterns, and other relevant factors. Corresponding administrative costs to process outstanding claims are estimated and accrued. Estimates of future payments relating to services incurred in the current and prior periods are continually reviewed by management and adjusted as necessary.

The Company assesses the profitability of its contracts for providing health insurance coverage to its members when current operating results or forecasts indicate probable future losses. The Company records a premium deficiency liability in current

NOTES TO FINANCIAL STATEMENTS

operations to the extent that the sum of expected future medical costs, claim adjustment expenses and maintenance costs exceed related future premiums. Investment income is not contemplated in the calculation of the premium deficiency liability.

Management believes the Company's benefits payable and loss adjustment expenses are adequate to cover future claims and loss adjustment expense payments required, however, such estimates are based on knowledge of current events and anticipated future events, and therefore, the actual liability could differ from the amounts provided

2. Accounting Changes and Corrections of Errors

Not Applicable.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

Not Applicable.

B. Statutory Merger

Not Applicable.

C. Assumption Reinsurance

Not Applicable.

D. Impairment Loss

Not Applicable.

4. Discontinued Operations

Not Applicable.

5. Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

Not Applicable.

B. Debt Restructuring

Not Applicable.

C. Reverse Mortgages

Not Applicable.

D. Loan-Backed Securities

Not Applicable.

E. Repurchase Agreements

Not Applicable.

F. Real Estate

Not Applicable.

G. Low-Income Housing Tax Credits (LIHTC)

Not Applicable.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10.0 percent of its admitted assets.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

A. Due and accrued income was excluded from surplus on the following basis:

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loan default.

B. The total amount excluded was \$0.

8. Derivative Instruments

Not Applicable.

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

The components of the net admitted deferred tax asset in the Company's statements of Assets, Liabilities, and Surplus are as follows:

	December 31, 2008	December 31, 2007
Total of gross deferred tax assets	\$ 4,209,571	\$ 6,380,244
Total of deferred tax liabilities	<u>863,904</u>	<u>-</u>
Net deferred tax	3,345,667	6,380,244
Deferred tax asset nonadmitted	<u>3,345,667</u>	<u>6,380,244</u>
Net admitted deferred tax	\$ <u>-</u>	\$ <u>-</u>
Change in nonadmitted asset	\$ (3,034,577)	\$ -

The provisions for incurred taxes on earnings for the years ended December 31 are:

	December 31, 2008	December 31, 2007
Federal payable	\$ (1,525,738)	\$ (107,346)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2008	December 31, 2007
Deferred tax assets:		
Miscellaneous nondeductible reserves	\$ 3,059,345	\$ 5,576,718
Investment reserve	1,150,226	-
Other	<u>-</u>	<u>803,526</u>
Total deferred tax assets	\$ 4,209,571	\$ 6,380,244
Nonadmitted deferred tax assets	<u>3,345,667</u>	<u>6,380,244</u>
Admitted deferred tax assets	\$ <u>863,904</u>	\$ <u>-</u>
Deferred tax liabilities:		
Performance guarantee	\$ 841,006	\$ -
Loss adjustment Expense	<u>-</u>	<u>-</u>
Benefits payable	20,608	-
Other	\$ <u>2,290</u>	\$ <u>-</u>
Total deferred tax liabilities	\$ <u>863,904</u>	\$ <u>-</u>
Net admitted deferred tax	\$ <u>-</u>	\$ <u>-</u>

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the annual statement):

	December 31, 2008	December 31, 2007	Change
Total deferred tax assets	\$ 4,209,571	\$ 6,380,244	\$ (2,170,673)
Total deferred tax liabilities	<u>863,904</u>	<u>-</u>	<u>863,904</u>
Net deferred tax	\$ 3,345,667	\$ 6,380,244	\$ (3,034,577)

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

	December 31, 2008	Effective Tax Rate
Provision computed at statutory rate	\$ 1,280,460	35.00%
Nonadmitted asset deferred tax change effect on rate	257,039	7.04%
Prior year correction entry	174,763	4.78%
Tax exempt income deduction	(240,028)	(6.56)%
Loss incurred addback	<u>36,004</u>	<u>0.98%</u>
Total	\$ <u>1,508,838</u>	<u>41.24%</u>
Federal taxes incurred 2008 only	\$ (1,510,571)	(41.29)%
Change in net deferred income taxes	3,034,576	82.94%
Federal taxes incurred correction 2007	<u>(15,167)</u>	<u>0.41%</u>
Total statutory income taxes	\$ <u>1,508,838</u>	<u>41.24%</u>

The Company has no capital loss carryforwards.

The Company is included in a consolidated federal income tax return with its parent Company, Humana Inc. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to be paid for any future net losses it may incur.

NOTES TO FINANCIAL STATEMENTS

HUMANA INC. AND SUBSIDIARIES

CALENDAR YEAR ENDED DECEMBER 31, 2008
AFFILIATIONS SCHEDULECORPORATE NAME AND EMPLOYER IDENTIFICATION NUMBER
THE ADDRESS OF EACH COMPANY IS: P. O. BOX 740026, LOUISVILLE, KY 40201

CORP NO.	CORPORATION NAME	EMPLOYER IDENTIFICATION NUMBER
1	AMERICAN DENTAL PLAN OF NORTH CAROLINA, INC.	56-1796975
2	AMERICAN DENTAL PROVIDERS OF ARKANSAS, INC.	58-2302163
3	CAREPLUS HEALTH PLANS, INC.	59-2598550
4	CARITEN HEALTH PLAN INC.	62-1579044
5	CHA HMO, INC.	61-1279717
6	COMPBENEFITS COMPANY	59-2531815
7	COMPBENEFITS DENTAL, INC.	36-3686002
8	COMPBENEFITS OF ALABAMA, INC.	63-1063101
9	DENTICARE, INC.	76-0039628
10	HUMANA ADVANTAGECARE PLAN, INC. (fka Metcare Health Plans, Inc.)	65-1137990
11	HUMANA BENEFIT PLAN OF ILLINOIS, INC. (fka OSF Health Plans, Inc.)	37-1326199
12	HUMANA EMPLOYERS HEALTH PLAN OF GEORGIA, INC.	58-2209549
13	HUMANA HEALTH BENEFIT PLAN OF LOUISIANA, INC.	72-1279235
14	HUMANA HEALTH PLAN OF CALIFORNIA, INC.	26-3473328
15	HUMANA HEALTH PLAN OF OHIO, INC.	31-1154200
16	HUMANA HEALTH PLAN OF TEXAS, INC.	61-0994632
17	HUMANA HEALTH PLAN, INC.	61-1013183
18	HUMANA MEDICAL PLAN OF UTAH, INC.	20-8411422
19	HUMANA MEDICAL PLAN, INC.	61-1103898
20	HUMANA WISCONSIN HEALTH ORGANIZATION INSURANCE CO.	39-1525003
21	PREFERRED HEALTH PARTNERSHIP OF TENNESSEE, INC.	62-1546662
22	THE DENTAL CONCERN, INC.	52-1157181
23	THE DENTAL CONCERN, LTD	36-3654697
24	CARITEN INSURANCE COMPANY	62-0729865
25	COMPBENEFITS INSURANCE COMPANY	74-2552026
26	EMPHEYSYS INSURANCE COMPANY	31-0935772
27	HUMANA HEALTH INSURANCE COMPANY OF FLORIDA, INC.	61-1041514
28	HUMANA INSURANCE COMPANY	39-1263473
29	HUMANA INSURANCE COMPANY OF KENTUCKY	61-1311685
30	HUMANA INSURANCE COMPANY OF NEW YORK	20-2888723
31	HUMANADENTAL INSURANCE COMPANY	39-0714280
32	MANAGED CARE INDEMNITY, INC. 516-526 WEST MAIN STREET CONDOMINIUM COUNCIL OF CO-OWNERS, INC.	61-1232669
33		20-5309363
34	CAC-FLORIDA MEDICAL CENTERS, LLC	26-0010657
35	COMPBENEFITS DIRECT, INC.	58-2228851
36	COMPBENEFITS OF GEORGIA, INC.	58-2196538
37	CORPHEALTH PROVIDER LINK, INC.	20-8236655
38	CORPHEALTH, INC.	75-2043865
39	DEFENSEWEB TECHNOLOGIES, INC.	33-0916248
40	DENTAL CARE PLUS MANAGEMENT, CORP.	36-3512545
41	DENTAL HEALTH MANAGEMENT, INC.	58-2296049
42	HEALTH VALUE MANAGEMENT, INC.	61-1223418
43	HUMANA ACTIVE OUTLOOK, INC.	20-4835394
44	HUMANA INNOVATION ENTERPRISES, INC.	61-1343791
45	HUMANA MARKETPOINT, INC.	61-1343508
46	HUMANA MILITARY HEALTHCARE SERVICES, INC.	61-1241225
47	HUMANA MILITARY PHARMACY SERVICES, INC.	20-1717441
48	HUMANA PHARMACY, INC.	61-1316926
49	HUMANA VETERANS HEALTHCARE SERVICES, INC.	20-8418853
50	HUMANA/COMPBENEFITS, INC. (fka CompBenefits Dental & Vision)	59-1843760
51	HUMCO, INC.	61-1239538
52	HUM-e-FL, INC.	61-1383567
53	INFOCUS TECHNOLOGY, INC.	42-1575099
54	PREFERRED HEALTH PARTNERSHIP, INC.	62-1250945
55	PRESERVATION ON MAIN, INC.	20-1724127
56	TEXAS DENTAL PLANS, INC.	74-2352809
57	ULTIMATE OPTICAL, INC.	65-0856480
58	CARENETWORK, INC.	39-1514846

NOTES TO FINANCIAL STATEMENTS

59	CHA SERVICE COMPANY, INC.	61-1279716
60	COMPBENEFITS CORPORATION	04-3185995
61	CPHP HOLDINGS, INC.	30-0117876
62	EMPHEYSYS, INC.	61-1237697
63	HUMANA HEALTH PLAN INTERESTS, INC.	71-0732385
64	HUMANA INC.	61-0647538
65	HUMANACARES, INC. (fka OHS, Inc.)	65-0274594
66	HUMANADENTAL, INC.	61-1364005
67	HUM-HOLDINGS INTERNATIONAL, INC.	26-3583438
68	KMG AMERICA CORPORATION	20-1377270
69	PHP COMPANIES, INC.	62-1552091

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

Not Applicable.

11. Debt

A. Capital Notes

The Company has no capital notes outstanding.

B. All other Debt

The Company has no debentures outstanding.

The Company does not have any reverse repurchase agreements.

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

A. Defined Benefit Plan

Not Applicable.

B. Defined Contribution Plan

Not Applicable.

C. Multiemployer Plans

Not Applicable.

D. Consolidated/Holding Company Plans

The Company employees are eligible to participate in the Humana Retirement and Savings Plan ("the Plan"), a defined contribution plan, sponsored by Humana Inc. The Plan maintains two accounts, the Savings Account and the Retirement Account.

Humana Inc.'s total contributions paid to the Savings and Retirement accounts of the Humana Retirement and Savings Plan were \$78 million for 2008. As of December 31, 2008 the fair market value of the Humana Retirement and Savings Plan's assets was \$1.0 billion.

E. Postemployment Benefits and Compensated Absences

Not Applicable.

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

Not Applicable

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

- 1) The Company has \$.01 par value common stock with 100,000 shares authorized and 90,200 shares issued and outstanding.
- 2) The Company has no preferred stock outstanding.
- 3) Dividends are noncumulative and are paid as determined by the Board of Directors. Dividends are subject to the approval of the Department of Insurance if such dividend distribution exceeds the Company's prior year net operating profits and realized capital gains plus ten percent of available and accumulated surplus funds delivered from realized net operating profits and net realized capital gains.
- 4) Not Applicable.
- 5) Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- 6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- 7) Not Applicable.
- 8) Not Applicable.
- 9) Not Applicable.
- 10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$196,573.
- 11) Not Applicable.
- 12) Not Applicable.
- 13) Not Applicable.

NOTES TO FINANCIAL STATEMENTS

14. Contingencies

A. Contingent Commitments

Not Applicable.

B. Assessments

Not Applicable.

C. Gain Contingencies

Not Applicable.

D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits

Not Applicable.

E. All Other Contingencies

During the ordinary course of business, the Company is subject to pending and threatened legal actions. Management of the Plan does not believe that any of these actions will have a material adverse effect on the Company's surplus, results of operations or cash flows. However, the likelihood or outcome of current or future legal proceedings cannot be accurately predicted, and they could adversely affect the Company's surplus, results of operations and cash flows.

The Company is not aware of any other material contingent liabilities as of December 31, 2008.

15. Leases

A. Lessee Operating Lease

Not Applicable.

B. Other Leases

Not Applicable.

16. Information about Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentration of Credit Risk

1) The Company has no investment in Financial Instruments with Off Balance Sheet Risk.

2) The Company has no investment in Financial Instruments with Concentration Credit Risk.

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

A. Transfers of Receivables Reported as Sales

Not Applicable.

B. Transfer and Servicing of Financial Assets

Not Applicable.

C. Wash Sales

Not Applicable.

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

A. ASO Plans

Not Applicable.

B. ASC Plans

Not Applicable.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

Not Applicable.

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

Not Applicable.

20. Other Items

A. Extraordinary Items

Not Applicable.

NOTES TO FINANCIAL STATEMENTS

B. Troubled Debt Restructuring

Not Applicable.

C. Other Disclosures

Not Applicable.

D. Disclose the nature of any portion of the balance that is reasonably possible to be uncollectible for assets covered by SSAP No. 6, Uncollected Premium Balances, Bill Receivable for Premiums, and Amounts Due From Agents and Brokers, SSAP No. 47, Uninsured Plans, or SSAP No. 66, Retrospectively Rated Contracts.

Not Applicable.

E. Business Interruption Insurance Recoveries

Not Applicable.

F. State Transferable Tax Credits

Not Applicable.

G. Hybrid Securities

Not Applicable.

H. Subprime Mortgage Related Risk Exposure

(1) Direct exposure through investments in sub-prime mortgage loans.

The Company has no direct exposure through investment to sub-prime mortgage loans.

(2) Indirect exposure to sub-prime mortgage risk through investments in the following securities:

- a. Residential mortgage backed securities – No substantial exposure noted.
- b. Collateralized debt obligations – No substantial exposure noted.
- c. Structured Securities (including principal protected notes) – No substantial exposure noted.
- d. Debt Securities of companies with significant sub-prime exposure – No substantial exposure noted
- e. Equity securities of companies with significant sub-prime exposure – No substantial exposure noted.
- f. Other Assets – No substantial exposure noted.

(3) Underwriting exposure to sub-prime mortgage risk through Mortgage Guaranty coverage, Financial Guaranty coverage, Directors and Officers liability coverage, or Errors and Omissions liability coverage.

Not Applicable.

(4) Classification of mortgage related securities is primarily based on information from outside data services, including rating agency actions. When considering our exposure, the Company evaluated the percentage of full documentation loans, percent of owner occupied properties, FICO scores, average margin for ARM loans, percent of loans with prepayment penalties, the existence of non-traditional underwriting standards, among other factors.

21. Events Subsequent

The Company is not aware of any events occurring subsequent to the close of the books for this statement which may have a material effect on its financial condition.

22. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10.0 percent or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes () No (X)

If yes, give full details.

(2) Have any policies issued by the Company been reinsured with a Company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10.0 percent or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes () No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?

Yes () No (X)

NOTES TO FINANCIAL STATEMENTS

- a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. \$0
- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in this statement? \$0
- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0

- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes () No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$0

- B. Uncollectible Reinsurance

Not Applicable.

- C. Commutation of Ceded Reinsurance

Not Applicable.

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. The Company estimates accrued retrospective premium adjustments for its Medicare business through a mathematical approach using an algorithm based upon settlement procedures defined by contracts with CMS.
- B. The Company records accrued retrospective premium as an adjustment to earned premiums.
- C. Not Applicable.

24. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2007 were \$0. As of December 31, 2008, \$0.2 million has been received for incurred claims and claim adjustment expenses attributable to insured events of prior years. There are no reserves remaining for prior years as a result of reestimation of unpaid claims and claim adjustment expenses on the Medicaid book of business. Therefore, there has been a \$0.2 million favorable prior-year development since December 31, 2007. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. The Company has no retrospectively rated policies.

25. InterCompany Pooling Arrangements

Not Applicable.

26. Structured Settlements

Not Applicable.

27. Health Care Receivables

- A. Pharmaceutical Rebate Receivables

Not Applicable.

- B. Risk Sharing Receivables

Not Applicable.

28. Participating Policies

Not Applicable.

NOTES TO FINANCIAL STATEMENTS

29. Premium Deficiency Reserves

Not Applicable.

30. Anticipated Salvage and Subrogation

As of December 31, 2008, Preferred Health Partnership of Tennessee, Inc. had no liabilities related to premium deficiency reserves.

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 [X] No []
- 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 [X] No [] NA []
- 1.3 State Regulating? Tennessee.....
- 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:12/28/2006
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/28/2006
- 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.12/31/2006
- 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).
- 3.4 By what department or departments? Tennessee Department of Insurance.....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [X] No [] NA []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] NA []
- 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 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? 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
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 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 locations (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?
PricewaterhouseCoopers LLC, 500 West Main, Suite 1800, Louisville, Kentucky 40202-4287
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Frank Murray Amrine, Actuarial Director and Appointed Actuary, 500 West Main Street, Louisville, KY 40202
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 11.11 Name of real estate holding company
11.12 Number of parcels involved.....
11.13 Total book/adjusted carrying value..... \$.....
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] NA [X]
- 13.1 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.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?..... Yes [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [] No [X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. 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 []
15. 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 []
16. 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 that is in conflict or is likely to conflict with the official duties of such person?..... Yes [X] No []

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers .. \$
 - 18.12 To stockholders not officers ... \$
 - 18.13 Trustees, supreme or grand (Fraternal only) \$
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers ... \$
 - 18.22 To stockholders not officers \$
 - 18.23 Trustees, supreme or grand (Fraternal only) \$
- 19.1 Were any assets reported in the 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]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$
 - 19.22 Borrowed from others \$
 - 19.23 Leased from others \$
 - 19.24 Other \$
- 20.1 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]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$
 - 20.22 Amount paid as expenses \$
 - 20.23 Other amounts paid \$
- 21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$

INVESTMENT

- 22.1 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? (other than securities lending programs addressed in 22.3)..... Yes [X] No []
- 22.2 If no, give full and complete information relating thereto:
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)
See Below
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?..... Yes [X] No []
- 22.5 If answer to 22.4 is YES, report amount of collateral \$
- 22.6 If answer to 22.4 is NO, report amount of collateral..... \$
- 23.1 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 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 19.1 and 22.3) Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements \$
 - 23.22 Subject to reverse repurchase agreements..... \$
 - 23.23 Subject to dollar repurchase agreements..... \$
 - 23.24 Subject to reverse dollar repurchase agreements.... \$
 - 23.25 Pledged as collateral..... \$
 - 23.26 Placed under option agreements..... \$
 - 23.27 Letter stock or securities restricted as to sale..... \$
 - 23.28 On deposit with state or other regulatory body \$ 7,286,228
 - 23.29 Other..... \$
- 23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA [X]
If no, attach a description with this statement.
- 25.1 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]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$

GENERAL INTERROGATORIES

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

26.01 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
JP Morgan Chase.....	4 New York Plaza, 15th Floor, New York, NY. 10004-2413 Attn: Herb Spaulding.....

26.02 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)	2 Complete Explanation(s)
.....
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No []

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

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

26.05 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	2 Address
107105.....	Blackrock, Inc.....	40 East 52nd Street, New York, NY 10022.....

27.1 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 []

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
27.2999 TOTAL		0

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

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

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	52,341,938	52,800,181	458,243
28.2 Preferred stocks.....	0		0
28.3 Totals	52,341,938	52,800,181	458,243

28.4 Describe the sources or methods utilized in determining the fair values:

Fair value of actively traded debt and equity securities are based on quoted market prices. Fair Value of inactively traded debt securities are based on quoted market prices of identical or similar securities or based on observable inputs like interest r.....

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$

30.2 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
.....	
.....	

31.1 Amount of payments for legal expenses, if any?.....\$

31.2 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
.....	
.....	

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

32.2 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

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	\$	.....0	\$	.....0
2.2 Premium Denominator	\$	.....0	\$	.....0
2.3 Premium Ratio (2.1/2.2)		.....0.000		.....0.000
2.4 Reserve Numerator	\$	.....5,903,520	\$	.....5,903,520
2.5 Reserve Denominator	\$	.....0	\$	.....5,903,520
2.6 Reserve Ratio (2.4/2.5)		.....0.000		.....1.000

- 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 dependents 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:
HMO stop-loss is not required for Prepaid Dental Plan
- 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 and vision \$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:
Provider contracts include hold harmless and continuation of benefits provisions.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date 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 0
- 8.2 Number of providers at end of reporting year 0
- 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 rate guarantees between 15-36 months 0
- 9.22 Business with rate guarantees over 36 months 0

GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? Yes [] No [X]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$
- 10.22 Amount actually paid for year bonuses \$
- 10.23 Maximum amount payable withholds \$
- 10.24 Amount actually paid for year withholds \$
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes [] No [X]
- 11.13 An Individual Practice Association (IPA), or, Yes [] No [X]
- 11.14 A Mixed Model (combination of above) ? Yes [] No [X]
- 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. \$ 6,715,961
- 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.
12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
0.....
0.....
0.....
0.....
0.....
0.....
0.....
0.....
0.....

FIVE-YEAR HISTORICAL DATA

	1 2008	2 2007	3 2006	4 2005	5 2004
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	57,183,591	57,311,890	55,712,857	59,028,032	62,005,506
2. Total liabilities (Page 3, Line 22)	12,501,794	18,162,657	22,160,311	23,683,129	35,744,876
3. Statutory surplus	6,715,961	6,837,598	6,583,291	7,247,122	7,338,566
4. Total capital and surplus (Page 3, Line 31)	44,681,797	39,149,233	33,552,546	35,344,903	26,260,630
Income Statement (Page 4)					
5. Total revenues (Line 8)	0	3,653,634	29	4,822,730	4,031,669
6. Total medical and hospital expenses (Line 18)	(224,625)	(151,997)	(636,635)	(1,741,816)	(866,620)
7. Claims adjustment expenses (Line 20)	(6,110)	1,159,954	591,262	0	0
8. Total administrative expenses (Line 21)	(3,141,243)	2,239,962	980,865	0	0
9. Net underwriting gain (loss) (Line 24)	3,371,978	405,715	(935,463)	6,564,546	4,898,289
10. Net investment gain (loss) (Line 27)	261,478	2,242,198	2,341,783	2,309,007	2,385,671
11. Total other income (Lines 28 plus 29)	25,000	0	0	0	0
12. Net income (loss) (Line 32)	5,184,194	2,755,259	1,125,698	9,122,977	5,074,067
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	2,367,324	1,961,891	(2,500,850)	(309,097)	5,436,977
Risk - Based Capital Analysis					
14. Total adjusted capital	44,681,797	39,149,233	33,552,547	35,344,903	26,260,630
15. Authorized control level risk-based capital	112,325	99,977	66,454	63,373	104,509
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	0	0	0	0	0
17. Total member months (Column 6, Line 7)	0	0	0	0	0
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	0.0	0.0	0.0	0.0	0.0
20. Cost containment expenses	0.0	0.0	0.0	0.0	XXX
21. Other claims adjustment expenses	0.0	0.0	0.0	0.0	0.0
22. Total underwriting deductions (Line 23)	0.0	0.0	0.0	0.0	0.0
23. Total underwriting gain (loss) (Line 24)	0.0	0.0	0.0	0.0	0.0
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	(224,625)	(151,998)	(636,635)	(741,816)	554,890
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	0	0	0	1,000,000	1,421,510
Investments In Parent, Subsidiaries And Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1)	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31	0	0	0	0	0



ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION

Preferred Health Partnership of Tennessee, Inc.

2.

(LOCATION)

NAIC Group Code 0119

BUSINESS IN THE STATE OF Tennessee

DURING THE YEAR 2008

NAIC Company Code 95749

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	0									
2. First Quarter	0									
3. Second Quarter	0									
4. Third Quarter	0									
5. Current Year	0									
6. Current Year Member Months	0									
Total Member Ambulatory Encounters for Year:										
7. Physician	794,980								794,980	
8. Non-Physician	491,859								491,859	
9. Total	1,286,839	0	0	0	0	0	0	0	1,286,839	0
10. Hospital Patient Days Incurred	32,056								32,056	
11. Number of Inpatient Admissions	8,720								8,720	
12. Health Premiums Written (b).....	0									
13. Life Premiums Direct	0									
14. Property/Casualty Premiums Written.....	0									
15. Health Premiums Earned.....	0									
16. Property/Casualty Premiums Earned.....	0									
17. Amount Paid for Provision of Health Care Services	(224,625)								(224,625)	
18. Amount Incurred for Provision of Health Care Services	(224,625)								(224,625)	

(a) For health business: number of persons insured under PPO managed care products _____ and number of persons under indemnity only products _____

(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes of fees \$ _____

29.TN



ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION

Preferred Health Partnership of Tennessee, Inc.

2.

(LOCATION)

NAIC Group Code 0119

BUSINESS IN THE STATE OF Consolidated

DURING THE YEAR 2008

NAIC Company Code 95749

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	0	0	0	0	0	0	0	0	0	0
2. First Quarter	0	0	0	0	0	0	0	0	0	0
3. Second Quarter	0	0	0	0	0	0	0	0	0	0
4. Third Quarter	0	0	0	0	0	0	0	0	0	0
5. Current Year	0	0	0	0	0	0	0	0	0	0
6. Current Year Member Months	0	0	0	0	0	0	0	0	0	0
Total Member Ambulatory Encounters for Year:										
7. Physician	794,980	0	0	0	0	0	0	0	794,980	0
8. Non-Physician	491,859	0	0	0	0	0	0	0	491,859	0
9. Total	1,286,839	0	0	0	0	0	0	0	1,286,839	0
10. Hospital Patient Days Incurred	32,056	0	0	0	0	0	0	0	32,056	0
11. Number of Inpatient Admissions	8,720	0	0	0	0	0	0	0	8,720	0
12. Health Premiums Written (b).....	0	0	0	0	0	0	0	0	0	0
13. Life Premiums Direct	0	0	0	0	0	0	0	0	0	0
14. Property/Casualty Premiums Written.....	0	0	0	0	0	0	0	0	0	0
15. Health Premiums Earned.....	0	0	0	0	0	0	0	0	0	0
16. Property/Casualty Premiums Earned.....	0	0	0	0	0	0	0	0	0	0
17. Amount Paid for Provision of Health Care Services	(224,625)	0	0	0	0	0	0	0	(224,625)	0
18. Amount Incurred for Provision of Health Care Services	(224,625)	0	0	0	0	0	0	0	(224,625)	0

(a) For health business: number of persons insured under PPO managed care products 0 and number of persons under indemnity only products 0

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

29.GT

Schedule S - Part 1 - Section 2

NONE

Schedule S - Part 2

NONE

Schedule S - Part 3 - Section 2

NONE

Schedule S - Part 4

NONE

Schedule S - Part 5

NONE

SCHEDULE S-PART 6

Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

	1	2	3
	As Reported (net of ceded)	Restatement Adjustments	Restated (gross of ceded)
ASSETS (Page 2, Col. 3)			
1. Cash and invested assets (Line 10).....	55,310,615		55,310,615
2. Accident and health premiums due and unpaid (Line 13).....	0		0
3. Amounts recoverable from reinsurers (Line 14.1).....	0		0
4. Net credit for ceded reinsurance.....	XXX	0	0
5. All other admitted assets (Balance).....	1,872,976		1,872,976
6. Total assets (Line 26)	57,183,591	0	57,183,591
LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7. Claims unpaid (Line 1).....	0	0	0
8. Accrued medical incentive pool and bonus payments (Line 2).....	0		0
9. Premiums received in advance (Line 8).....	0		0
10. Funds held under reinsurance treaties with authorized and unauthorized reinsurers (Line 17).....	0		0
11. Reinsurance in unauthorized companies (Line 18).....	0		0
12. All other liabilities (Balance).....	12,501,794		12,501,794
13. Total liabilities (Line 22).....	12,501,794	0	12,501,794
14. Total capital and surplus (Line 31).....	44,681,797	XXX	44,681,797
15. Total liabilities, capital and surplus (Line 32)	57,183,591	0	57,183,591
NET CREDIT FOR CEDED REINSURANCE			
16. Claims unpaid.....	0		
17. Accrued medical incentive pool.....	0		
18. Premiums received in advance.....	0		
19. Reinsurance recoverable on paid losses.....	0		
20. Other ceded reinsurance recoverables.....	0		
21. Total ceded reinsurance recoverables.....	0		
22. Premiums receivable.....	0		
23. Funds held under reinsurance treaties with authorized and unauthorized reinsurers.....	0		
24. Unauthorized reinsurance.....	0		
25. Other ceded reinsurance payables/offsets.....	0		
26. Total ceded reinsurance payables/offsets.....	0		
27. Total net credit for ceded reinsurance	0		

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts	
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7		
1. Alabama	AL	N							.0	.0
2. Alaska	AK	N							.0	.0
3. Arizona	AZ	N							.0	.0
4. Arkansas	AR	N							.0	.0
5. California	CA	N							.0	.0
6. Colorado	CO	N							.0	.0
7. Connecticut	CT	N							.0	.0
8. Delaware	DE	N							.0	.0
9. District of Columbia	DC	N							.0	.0
10. Florida	FL	N							.0	.0
11. Georgia	GA	N							.0	.0
12. Hawaii	HI	N							.0	.0
13. Idaho	ID	N							.0	.0
14. Illinois	IL	N							.0	.0
15. Indiana	IN	N							.0	.0
16. Iowa	IA	N							.0	.0
17. Kansas	KS	N							.0	.0
18. Kentucky	KY	N							.0	.0
19. Louisiana	LA	N							.0	.0
20. Maine	ME	N							.0	.0
21. Maryland	MD	N							.0	.0
22. Massachusetts	MA	N							.0	.0
23. Michigan	MI	N							.0	.0
24. Minnesota	MN	N							.0	.0
25. Mississippi	MS	N							.0	.0
26. Missouri	MO	N							.0	.0
27. Montana	MT	N							.0	.0
28. Nebraska	NE	N							.0	.0
29. Nevada	NV	N							.0	.0
30. New Hampshire	NH	N							.0	.0
31. New Jersey	NJ	N							.0	.0
32. New Mexico	NM	N							.0	.0
33. New York	NY	N							.0	.0
34. North Carolina	NC	N							.0	.0
35. North Dakota	ND	N							.0	.0
36. Ohio	OH	N							.0	.0
37. Oklahoma	OK	N							.0	.0
38. Oregon	OR	N							.0	.0
39. Pennsylvania	PA	N							.0	.0
40. Rhode Island	RI	N							.0	.0
41. South Carolina	SC	N							.0	.0
42. South Dakota	SD	N							.0	.0
43. Tennessee	TN	L							.0	.0
44. Texas	TX	N							.0	.0
45. Utah	UT	N							.0	.0
46. Vermont	VT	N							.0	.0
47. Virginia	VA	N							.0	.0
48. Washington	WA	N							.0	.0
49. West Virginia	WV	N							.0	.0
50. Wisconsin	WI	N							.0	.0
51. Wyoming	WY	N							.0	.0
52. American Samoa	AS	N							.0	.0
53. Guam	GU	N							.0	.0
54. Puerto Rico	PR	N							.0	.0
55. U.S. Virgin Islands	VI	N							.0	.0
56. Northern Mariana Islands	MP	N							.0	.0
57. Canada	CN	N							.0	.0
58. Aggregate Other Alien	OT	XXX	.0	.0	.0	.0	.0	.0	.0	.0
59. Subtotal	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
60. Reporting entity contributions for Employee Benefit Plans	XXX								.0	
61. Total (Direct Business)	(a) 1	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0	0

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

The Company allocates group premium to the states by group and provider location.

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

**SCHEDULE T – PART 2
INTERSTATE COMPACT – EXHIBIT OF PREMIUMS WRITTEN**

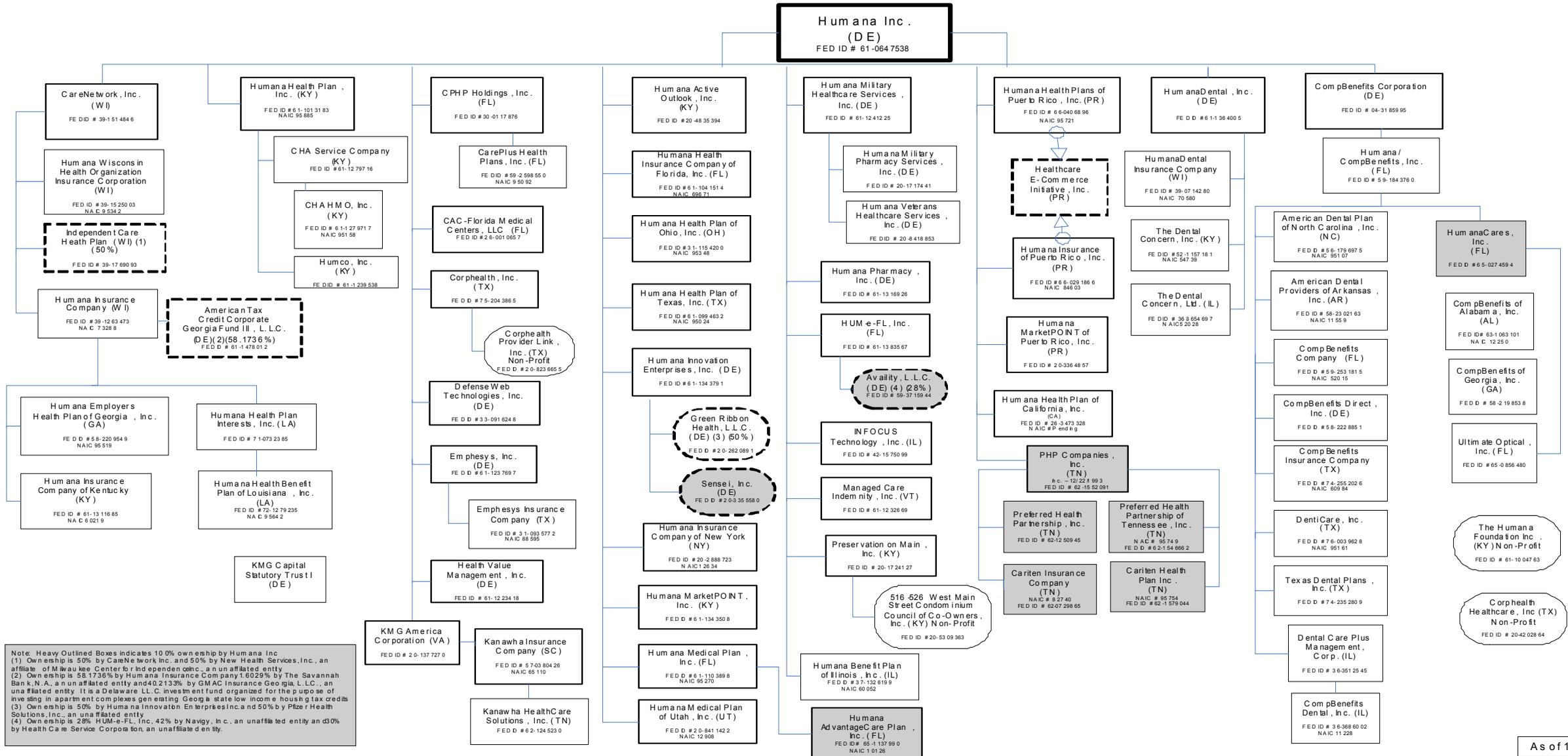
Allocated by States and Territories

States, Etc.	Direct Business Only					Totals
	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	
1. Alabama	AL					0
2. Alaska	AK					0
3. Arizona	AZ					0
4. Arkansas	AR					0
5. California	CA					0
6. Colorado	CO					0
7. Connecticut	CT					0
8. Delaware	DE					0
9. District of Columbia	DC					0
10. Florida	FL					0
11. Georgia	GA					0
12. Hawaii	HI					0
13. Idaho	ID					0
14. Illinois	IL					0
15. Indiana	IN					0
16. Iowa	IA					0
17. Kansas	KS					0
18. Kentucky	KY					0
19. Louisiana	LA					0
20. Maine	ME					0
21. Maryland	MD					0
22. Massachusetts	MA					0
23. Michigan	MI					0
24. Minnesota	MN					0
25. Mississippi	MS					0
26. Missouri	MO					0
27. Montana	MT					0
28. Nebraska	NE					0
29. Nevada	NV					0
30. New Hampshire	NH					0
31. New Jersey	NJ					0
32. New Mexico	NM					0
33. New York	NY					0
34. North Carolina	NC					0
35. North Dakota	ND					0
36. Ohio	OH					0
37. Oklahoma	OK					0
38. Oregon	OR					0
39. Pennsylvania	PA					0
40. Rhode Island	RI					0
41. South Carolina	SC					0
42. South Dakota	SD					0
43. Tennessee	TN					0
44. Texas	TX					0
45. Utah	UT					0
46. Vermont	VT					0
47. Virginia	VA					0
48. Washington	WA					0
49. West Virginia	WV					0
50. Wisconsin	WI					0
51. Wyoming	WY					0
52. American Samoa	AS					0
53. Guam	GU					0
54. Puerto Rico	PR					0
55. U.S. Virgin Islands	VI					0
56. Northern Mariana Islands	MP					0
57. Canada	CN					0
58. Aggregate Other Alien	OT					0
59. Totals		0	0	0	0	0

NONE

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

PART 1 - ORGANIZATIONAL CHART



Note: Heavy Outlined Boxes indicates 100% ownership by Humana Inc.
 (1) Ownership is 50% by CareNetwork, Inc. and 50% by New Health Services, Inc., an affiliate of Milwaukee Center for Independent Living, an unaffiliated entity.
 (2) Ownership is 53.1736% by Humana Insurance Company, 1.0029% by The Savannah Bank, N.A., an unaffiliated entity and 40.2133% by GMAC Insurance Georgia, L.L.C., an unaffiliated entity. It is a Delaware LLC investment fund organized for the purpose of investing in apartment complexes generating Georgia state low income housing tax credits.
 (3) Ownership is 50% by Humana Innovation Enterprises, Inc. and 50% by Pfizer Health Solutions, Inc., an unaffiliated entity.
 (4) Ownership is 28% HUM e-FL, Inc. 42% by Navigy, Inc., an unaffiliated entity and 30% by Health Care Service Corporation, an unaffiliated entity.

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/(Liability)
69671	61-1041514	Humana Health Insurance Co FL, Inc.		15,000,000			(5,750,818)	99,750,004			108,999,186	
00000	61-1343508	Humana Marketpoint, Inc.					303,366,458				303,366,458	
00000	61-1241225	Humana Military Healthcare Services, Inc.					(42,273,435)				(42,273,435)	
95270	61-1103898	Humana Medical Plan, Inc.	(145,000,000)	(2,000,000)			(383,692,657)	(99,750,004)			(630,442,661)	
95885	61-1013183	Humana Health Plan, Inc.		225,000,000			(165,809,458)	(90,585,806)			(31,395,264)	
95348	31-1154200	Humana Health Plan of Ohio, Inc.	(15,000,000)				(2,106,514)	(213,372,211)			(230,478,725)	
95024	61-0994632	Humana Health Plan of Texas, Inc.	(40,000,000)				(44,097,659)	(208,668,875)			(292,766,534)	
54739	52-1157181	The Dental Concern, Inc.	(1,000,000)				(639,543)				(1,639,543)	
00000	61-0647538	Humana Inc	296,000,000	(467,750,000)			1,817,205,744				1,645,455,744	
00000	61-1232669	Managed Care Indemnity, Inc.	(15,000,000)				(9,474)				(15,009,474)	
00000	61-1223418	Health Value Management, Inc.					(21,859,375)				(21,859,375)	
95342	39-1525003	Humana WI Health Org. Insurance Corp		20,000,000			(7,484,781)	(59,145,691)			(46,630,472)	
73288	39-1263473	Humana Insurance Company	70,000,000				(1,179,916,696)	657,861,402			(452,055,294)	
52028	39-3654697	The Dental Concern, Ltd.	(1,000,000)				(62,700)				(1,062,700)	
95519	58-2209549	Humana Employers Health Plan of GA, Inc.					(7,796,664)	(86,088,819)			(93,885,483)	
70580	39-0714280	HumanaDental Insurance Company	(25,000,000)				(22,385,055)				(47,385,055)	
88595	31-0935772	Emphesys Insurance Company		750,000			(267,241)				482,759	
60219	61-1311605	Humana Insurance Company of Kentucky					(3,151,413)				(3,151,413)	
00000	66-0291866	PCA Insurance Group of Puerto Rico, Inc.					(414,967)				(414,967)	
00000	66-0406896	PCA Health Plans of Puerto Rico, Inc.					(6,110,374)				(6,110,374)	
95642	72-1279235	Humana Health Benefit Plan of LA, Inc.	(70,000,000)				(100,487,268)				(170,487,268)	
95092	59-2598550	CarePlus Health Plans, Inc.	(54,000,000)				(25,452,513)				(79,452,513)	
12634	20-2888723	Humana Insurance Company of New York					(9,319,698)				(9,319,698)	
95158	61-1279717	CHA HMO					(2,348,898)				(2,348,898)	
00000	61-1383567	HUM-e-FL, Inc.									.0	
00000	20-3364857	Humana MarketPOINT of Puerto Rico, Inc.					(1,672)				(1,672)	
00000	AA-5893028	Humana Health Enterprises UK Ltd.									.0	
00000	26-0010657	CAC-Florida Medical Centers, LLC					(12,621,776)				(12,621,776)	
00000	61-1316926	Humana Pharmacy, Inc.									.0	
00000	61-1343791	Humana Innovation Enterprises, Inc.									.0	
00000	20-2620891	Green Ribbon Health, LLC									.0	
00000	75-2043865	Corphealth, Inc.									.0	
00000	20-1377270	KMG America Corporation		205,000,000							205,000,000	
65110	57-0380426	Kanawha Insurance Co.					(1,819,161)				(1,819,161)	
00000	74-2352809	Texas Dental Plans, Inc.									.0	
12908	20-8411422	Humana Medical Plan of Utah		2,000,000			(500,049)				1,499,951	
95107	56-1796975	American Dental Plan of NC					(152,893)				(152,893)	
11559	58-2302163	American Dental Providers of AR					(42,257)				(42,257)	
12250	63-1063101	CompBenefits of Alabama					(120,749)				(120,749)	
52015	59-2531815	CompBenefits Company					(42,853,177)				(42,853,177)	
95161	76-0039628	DentiCare, Inc.					(2,780,501)				(2,780,501)	
11228	36-3686002	CompBenefits Dental, Inc.					(4,315,007)				(4,315,007)	
60052	37-1326199	Humana Benefit Plan of Illinois					(1,820,155)				(1,820,155)	
10126	65-1137990	Humana AdvantageCare Plan		2,000,000			(41,632)				1,958,368	
95754	62-1579044	Cariten Health Plan					(3,509,844)				(3,509,844)	
82740	62-0729865	Cariten Insurance Company					(282,469)				(282,469)	
95749	62-1546662	Preferred Health Partnership of TN, Inc.					215,354				215,354	
60984	74-2552026	CompBenefits Insurance Company					(18,489,013)				(18,489,013)	

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/(Liability)
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 unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** 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 filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

Responses

- 1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?YES.....
- 2. Will an actuarial opinion be filed by March 1?YES.....
- 3. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1?YES.....
- 4. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required by March 1?YES.....

APRIL FILING

- 5. Will Management's Discussion and Analysis be filed by April 1?YES.....
- 6. Will the Supplemental Investment Risks Interrogatories be filed by April 1?YES.....
- 7. Will the Accident and Health Policy Experience Exhibit be filed by April 1?YES.....

JUNE FILING

- 8. Will an audited financial report be filed by June 1?YES.....

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 filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

- 9. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?NO.....
- 10. Will the Supplemental Life data due March 1 be filed with the state of domicile and the NAIC?NO.....
- 11. Will the Supplemental Property/Casualty data due March 1 be filed with the state of domicile and the NAIC?NO.....
- 12. Will the Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?NO.....
- 13. Will the actuarial opinion on participating and non-participating policies as required in Interrogatories 1 and 2 on Exhibit 5 to Life Supplement be filed with the state of domicile and electronically with the NAIC by March 1?NO.....
- 14. Will the actuarial opinion on non-guaranteed elements as required in Interrogatories 3 to Exhibit 5 to Life Supplement be filed with the state of domicile and electronically with the NAIC by March 1?NO.....
- 15. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1?NO.....

APRIL FILING

- 16. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?NO.....
- 17. Will the Supplemental Life data due April 1 be filed with the state of domicile and the NAIC?NO.....
- 18. Will the Supplemental Property/Casualty Insurance Expense Exhibit due April 1 be filed with any state that requires it, and, if so, the NAIC?NO.....

EXPLANATION:

- 9. This type of business is not written
- 10. This type of business is not written
- 11. This type of business is not written
- 12. This type of business is not written
- 13. This type of business is not written
- 14. This type of business is not written
- 15. This type of business is not written
- 16. This type of business is not written
- 17. This type of business is not written
- 18. This type of business is not written

BAR CODE:

- 9.  9 5 7 4 9 2 0 0 8 3 6 0 5 9 0 0 0
- 10.  9 5 7 4 9 2 0 0 8 2 0 5 0 0 0 0 0
- 11.  9 5 7 4 9 2 0 0 8 2 0 7 0 0 0 0 0
- 12.  9 5 7 4 9 2 0 0 8 4 2 0 0 0 0 0 0
- 13.  9 5 7 4 9 2 0 0 8 3 7 1 0 0 0 0 0

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

14. 
9 5 7 4 9 2 0 0 8 3 7 0 0 0 0 0 0

15. 
9 5 7 4 9 2 0 0 8 3 6 5 0 0 0 0 0

16. 
9 5 7 4 9 2 0 0 8 3 3 0 5 9 0 0 0

17. 
9 5 7 4 9 2 0 0 8 2 1 1 5 9 0 0 0

18. 
9 5 7 4 9 2 0 0 8 2 1 3 0 0 0 0 0

OVERFLOW PAGE FOR WRITE-INS

M003 Additional Aggregate Lines for Page 03 Line 21.

*LIAB - Liabilities

	1 Covered	2 Uncovered	3 Total	4 Total
2104. Reserve for At Risk Revenue.....			0	1,643,136
2197. Summary of remaining write-ins for Line 21 from Page 03	0	0	0	1,643,136

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	32,632,849	58.999	32,632,849	58.999
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	22,677,766	41.001	22,677,766	41.001
9. Other invested assets		0.000		0.000
10. Total invested assets	55,310,615	100.000	55,310,615	100.000

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1. Book/adjusted carrying value, December 31 of prior year.....	0
2. Cost of acquired:	
2.1 Actual cost at time of acquisition (Part 2, Column 6).....	0
2.2 Additional investment made after acquisition (Part 2, Column 7).....	0
3. Current year change in encumbrances:	
3.1 Totals, Part 1, Column 13.....	0
3.2 Totals, Part 3, Column 11.....	0
4. Total gain (loss) on disposals, Part 3, Column 18.....	0
5. Deduct amounts received on disposals, Part 3, Column 15.....	0
6. Total foreign exchange change in book/adjusted carrying value:	
6.1 Totals, Part 1, Column 15.....	0
6.2 Totals, Part 3, Column 13.....	0
7. Deduct current year's other than temporary impairment recognized:	
7.1 Totals, Part 1, Column 12.....	0
7.2 Totals, Part 3, Column 10.....	0
8. Deduct current year's depreciation:	
8.1 Totals, Part 1, Column 11.....	0
8.2 Totals, Part 3, Column 9.....	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8).....	0
10. Deduct total nonadmitted amounts.....	0
11. Statement value at end of current period (Line 9 minus Line 10).....	0

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0
2. Cost of acquired:	
2.1 Actual cost at time of acquisition (Part 2, Column 7).....	0
2.2 Additional investment made after acquisition (Part 2, Column 8).....	0
3. Capitalized deferred interest and other:	
3.1 Totals, Part 1, Column 12.....	0
3.2 Totals, Part 3, Column 11.....	0
4. Accrual of discount.....	0
5. Unrealized valuation increase (decrease):	
5.1 Totals, Part 1, Column 9.....	0
5.2 Totals, Part 3, Column 8.....	0
6. Total gain (loss) on disposals, Part 3, Column 18.....	0
7. Deduct amounts received on disposals, Part 3, Column 15.....	0
8. Deduct amortization of premium and mortgage interest points and commitment fees.....	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest:	
9.1 Totals, Part 1, Column 13.....	0
9.2 Totals, Part 3, Column 13.....	0
10. Deduct current year's other than temporary impairment recognized:	
10.1 Totals, Part 1, Column 11.....	0
10.2 Totals, Part 3, Column 10.....	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0
12. Total valuation allowance.....	0
13. Subtotal (Line 11 plus Line 12).....	0
14. Deduct total nonadmitted amounts.....	0
15. Statement value at end of current period (Line 13 minus Line 14).....	0

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Other Long-Term Invested Assets

1. Book/adjusted carrying value, December 31 of prior year.....		0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition (Part 2, Column 8).....	0	
2.2 Additional investment made after acquisition (Part 2, Column 9).....	0	0
3. Capitalized deferred interest and other:		
3.1 Totals, Part 1, Column 16.....	0	
3.2 Totals, Part 3, Column 12.....	0	0
4. Accrual of discount.....		0
5. Unrealized valuation increase (decrease):		
5.1 Totals, Part 1, Column 13.....	0	
5.2 Totals, Part 3, Column 9.....	0	0
6. Total gain (loss) on disposals, Part 3, Column 19.....		0
7. Deduct amounts received on disposals, Part 3, Column 16.....		0
8. Deduct amortization of premium and depreciation.....		0
9. Total foreign exchange change in book/adjusted carrying value:		
9.1 Totals, Part 1, Column 17.....	0	
9.2 Totals, Part 3, Column 14.....	0	0
10. Deduct current year's other than temporary impairment recognized:		
10.1 Totals, Part 1, Column 15.....	0	
10.2 Totals, Part 3, Column 11.....	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....		0
12. Deduct total nonadmitted amounts.....		0
13. Statement value at end of current period (Line 11 minus Line 12).....		0

NONE

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book /adjusted carrying value, December 31 of prior year.....		54,143,000
2. Cost of bonds and stocks acquired, Column 7, Part 3.....		101,036,976
3. Accrual of discount.....		49,339
4. Unrealized valuation increase (decrease):		
4.1 Column 12, Part 1.....	0	
4.2 Column 15, Part 2, Section 1.....	0	
4.3 Column 13, Part 2, Section 2.....	0	
4.4 Column 11, Part 4.....	196,572	196,572
5. Total gain (loss) on disposals, Column 19, Part 4.....		(2,730,797)
6. Deduction consideration for bonds and stocks disposed of, Column 7, Part 4.....		119,774,895
7. Deduct amortization of premium.....		287,349
8. Total foreign exchange change in book/adjusted carrying value:		
8.1 Column 15, Part 1.....	0	
8.2 Column 19, Part 2, Section 1.....	0	
8.3 Column 16, Part 2, Section 2.....	0	
8.4 Column 15, Part 4.....	0	0
9. Deduct current year's other than temporary impairment recognized:		
9.1 Column 14, Part 1.....	0	
9.2 Column 17, Part 2, Section 1.....	0	
9.3 Column 14, Part 2, Section 2.....	0	
9.4 Column 13, Part 4.....	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....		32,632,846
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....		32,632,846

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	3 Actual Cost	4 Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	8,537,812	9,044,916	8,537,862	8,500,000
	2. Canada				
	3. Other Countries				
	4. Totals	8,537,812	9,044,916	8,537,862	8,500,000
States, Territories and Possessions (Direct and guaranteed)	5. United States	1,400,000	1,383,662	1,400,000	1,400,000
	6. Canada				
	7. Other Countries				
	8. Totals	1,400,000	1,383,662	1,400,000	1,400,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	15,710,901	15,793,900	15,727,545	15,200,000
	14. Canada				
	15. Other Countries				
	16. Totals	15,710,901	15,793,900	15,727,545	15,200,000
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	6,984,133	6,868,611	6,980,313	6,700,000
	22. Canada				
	23. Other Countries				
	24. Totals	6,984,133	6,868,611	6,980,313	6,700,000
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	32,632,846	33,091,089	32,645,720	31,800,000
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals	0	0	0	0
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	0
	40. Total Preferred Stocks	0	0	0	0
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals	0	0	0	0
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	53. Totals	0	0	0	0
	54. Total Common Stocks	0	0	0	0
	55. Total Stocks	0	0	0	0
	56. Total Bonds and Stocks	32,632,846	33,091,089	32,645,720	

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, (Group 1)											
1.1 Class 1	21,956,100	5,742,178	548,624			28,246,902	54.0	16,236,555	29.2	28,246,901	
1.2 Class 2						0	0.0	0	0.0		
1.3 Class 3						0	0.0	0	0.0		
1.4 Class 4						0	0.0	0	0.0		
1.5 Class 5						0	0.0	0	0.0		
1.6 Class 6						0	0.0	0	0.0		
1.7 Totals	21,956,100	5,742,178	548,624	0	0	28,246,902	54.0	16,236,555	29.2	28,246,901	0
2. All Other Governments, (Group 2)											
2.1 Class 1						0	0.0	0	0.0		
2.2 Class 2						0	0.0	0	0.0		
2.3 Class 3						0	0.0	0	0.0		
2.4 Class 4						0	0.0	0	0.0		
2.5 Class 5						0	0.0	0	0.0		
2.6 Class 6						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories and Possessions etc., Guaranteed, (Group 3)											
3.1 Class 1		1,400,000				1,400,000	2.7	0	0.0	1,400,000	
3.2 Class 2						0	0.0	0	0.0		
3.3 Class 3						0	0.0	0	0.0		
3.4 Class 4						0	0.0	0	0.0		
3.5 Class 5						0	0.0	0	0.0		
3.6 Class 6						0	0.0	0	0.0		
3.7 Totals	0	1,400,000	0	0	0	1,400,000	2.7	0	0.0	1,400,000	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, (Group 4)											
4.1 Class 1						0	0.0	21,844,063	39.3		
4.2 Class 2						0	0.0	3,411,730	6.1		
4.3 Class 3						0	0.0	0	0.0		
4.4 Class 4						0	0.0	0	0.0		
4.5 Class 5						0	0.0	0	0.0		
4.6 Class 6						0	0.0	0	0.0		
4.7 Totals	0	0	0	0	0	0	0.0	25,255,793	45.4	0	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, (Group 5)											
5.1 Class 1	1,202,445	8,251,804	3,122,655	1,002,006		13,578,910	25.9	0	0.0	13,578,910	
5.2 Class 2		2,131,991				2,131,991	4.1	0	0.0	2,131,991	
5.3 Class 3						0	0.0	0	0.0		
5.4 Class 4						0	0.0	0	0.0		
5.5 Class 5						0	0.0	0	0.0		
5.6 Class 6						0	0.0	0	0.0		
5.7 Totals	1,202,445	10,383,795	3,122,655	1,002,006	0	15,710,901	30.0	0	0.0	15,710,901	0

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), (Group 6)											
6.1 Class 1						.0	.0.0	.0	.0.0		
6.2 Class 2						.0	.0.0	.0	.0.0		
6.3 Class 3						.0	.0.0	.0	.0.0		
6.4 Class 4						.0	.0.0	.0	.0.0		
6.5 Class 5						.0	.0.0	.0	.0.0		
6.6 Class 6						0	0.0	0	0.0		
6.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
7. Industrial & Miscellaneous (Unaffiliated), (Group 7)											
7.1 Class 1	787,676	5,021,334				5,809,010	11.1	12,923,872	23.2	5,809,010	
7.2 Class 2		518,310	656,815			1,175,125	2.2	1,226,780	2.2	1,175,125	
7.3 Class 3						.0	.0.0	.0	.0.0		
7.4 Class 4						.0	.0.0	.0	.0.0		
7.5 Class 5						.0	.0.0	.0	.0.0		
7.6 Class 6						0	0.0	0	0.0		
7.7 Totals	787,676	5,539,644	656,815	0	0	6,984,135	13.3	14,150,652	25.4	6,984,135	0
8. Credit Tenant Loans, (Group 8)											
8.1 Class 1						.0	.0.0	.0	.0.0		
8.2 Class 2						.0	.0.0	.0	.0.0		
8.3 Class 3						.0	.0.0	.0	.0.0		
8.4 Class 4						.0	.0.0	.0	.0.0		
8.5 Class 5						.0	.0.0	.0	.0.0		
8.6 Class 6						0	0.0	0	0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parent, Subsidiaries and Affiliates, (Group 9)											
9.1 Class 1						.0	.0.0	.0	.0.0		
9.2 Class 2						.0	.0.0	.0	.0.0		
9.3 Class 3						.0	.0.0	.0	.0.0		
9.4 Class 4						.0	.0.0	.0	.0.0		
9.5 Class 5						.0	.0.0	.0	.0.0		
9.6 Class 6						0	0.0	0	0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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 Col. 6 as a % of Line 10.7	8 Total from Col. 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	(d) 23,946,221	20,415,316	3,671,279	1,002,006	0	49,034,822	93.7	XXX	XXX	49,034,821	0
10.2 Class 2	(d) 0	2,650,301	656,815	0	0	3,307,116	6.3	XXX	XXX	3,307,116	0
10.3 Class 3	(d) 0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Class 4	(d) 0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.5 Class 5	(d) 0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.6 Class 6	(d) 0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.7 Totals	23,946,221	23,065,617	4,328,094	1,002,006	0	52,341,938	100.0	XXX	XXX	52,341,937	0
10.8 Line 10.7 as a % of Col. 6	45.7	44.1	8.3	1.9	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Class 1	6,226,807	36,346,688	6,430,995	0	2,000,000	XXX	XXX	51,004,490	91.7	51,004,490	0
11.2 Class 2	0	953,574	2,682,967	1,001,969	0	XXX	XXX	4,638,510	8.3	4,638,510	0
11.3 Class 3	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.4 Class 4	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.5 Class 5	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.6 Class 6	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.7 Totals	6,226,807	37,300,262	9,113,962	1,001,969	2,000,000	XXX	XXX	55,643,000	100.0	55,643,000	0
11.8 Line 11.7 as a % of Col. 8	11.2	67.0	16.4	1.8	3.6	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Class 1	23,946,221	20,415,316	3,671,279	1,002,006	0	49,034,822	93.7	51,004,490	91.7	49,034,822	XXX
12.2 Class 2	0	2,650,301	656,815	0	0	3,307,116	6.3	4,638,510	8.3	3,307,116	XXX
12.3 Class 3	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.4 Class 4	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.5 Class 5	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.7 Totals	23,946,221	23,065,617	4,328,094	1,002,006	0	52,341,938	100.0	55,643,000	100.0	52,341,938	XXX
12.8 Line 12.7 as a % of Col. 6	45.7	44.1	8.3	1.9	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	45.7	44.1	8.3	1.9	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	0.0	0	0.0	XXX	0
13.2 Class 2	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.3 Class 3	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.4 Class 4	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.5 Class 5	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.6 Class 6	0	0	0	0	0	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 \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
 (b) Includes \$ current year, \$ prior year of bonds with Z designations and \$, current year, \$ prior year of bonds with Z* designations. 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 is under regulatory review.
 (c) Includes \$ current year, \$ prior year of bonds with 5* designations and \$, current year, \$ prior year of bonds with 6* designations. "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.
 (d) Includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....19,709,091 ; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$.....

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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 Col. 6 as a % of Line 10.7	8 Total from Col 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. U.S. Governments. (Group 1)											
1.1 Issuer Obligations	21,956,100	5,742,178	548,624			28,246,902	54.0	16,236,555	29.2	28,246,901	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
1.7 Totals	21,956,100	5,742,178	548,624	0	0	28,246,902	54.0	16,236,555	29.2	28,246,901	0
2. All Other Governments. (Group 2)											
2.1 Issuer Obligations						0	0.0	0	0.0		
2.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0		
2.3 Defined						0	0.0	0	0.0		
2.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						0	0.0	0	0.0		
2.5 Defined						0	0.0	0	0.0		
2.6 Other						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories, and Possessions Guaranteed. (Group 3)											
3.1 Issuer Obligations		1,400,000				1,400,000	2.7	0	0.0	1,400,000	
3.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0		
3.3 Defined						0	0.0	0	0.0		
3.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						0	0.0	0	0.0		
3.5 Defined						0	0.0	0	0.0		
3.6 Other						0	0.0	0	0.0		
3.7 Totals	0	1,400,000	0	0	0	1,400,000	2.7	0	0.0	1,400,000	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed. (Group 4)											
4.1 Issuer Obligations						0	0.0	25,255,794	45.4		
4.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0		
4.3 Defined						0	0.0	0	0.0		
4.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						0	0.0	0	0.0		
4.5 Defined						0	0.0	0	0.0		
4.6 Other						0	0.0	0	0.0		
4.7 Totals	0	0	0	0	0	0	0.0	25,255,794	45.4	0	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed. (Group 5)											
5.1 Issuer Obligations	1,202,445	10,383,795	3,122,655	1,002,006		15,710,901	30.0	0	0.0	15,710,901	
5.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0		
5.3 Defined						0	0.0	0	0.0		
5.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						0	0.0	0	0.0		
5.5 Defined						0	0.0	0	0.0		
5.6 Other						0	0.0	0	0.0		
5.7 Totals	1,202,445	10,383,795	3,122,655	1,002,006	0	15,710,901	30.0	0	0.0	15,710,901	0

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. Public Utilities (Unaffiliated), (Group 6)											
6.1 Issuer Obligations						0	0.0	0	0.0		
6.2 Single Class Mortgage-Backed/Asset-Based Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
6.3 Defined						0	0.0	0	0.0		
6.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
6.5 Defined						0	0.0	0	0.0		
6.6 Other						0	0.0	0	0.0		
6.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
7. Industrial & Miscellaneous (Unaffiliated), (Group 7)											
7.1 Issuer Obligations	787,676	5,539,644	656,815			6,984,135	13.3	14,150,652	25.4	6,984,135	
7.2 Single Class Mortgage-Backed/Asset-Based Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
7.3 Defined						0	0.0	0	0.0		
7.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
7.5 Defined						0	0.0	0	0.0		
7.6 Other						0	0.0	0	0.0		
7.7 Totals	787,676	5,539,644	656,815	0	0	6,984,135	13.3	14,150,652	25.4	6,984,135	0
8. Credit Tenant Loans, (Group 8)											
8.1 Issuer Obligations						0	0.0	0	0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parents, Subsidiaries and Affiliates, (Group 9)											
9.1 Issuer Obligations						0	0.0	0	0.0		
9.2 Single Class Mortgage-Backed/Asset-Based Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
9.3 Defined						0	0.0	0	0.0		
9.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
9.5 Defined						0	0.0	0	0.0		
9.6 Other						0	0.0	0	0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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 Col. 6 as a % of Line 10.7	8 Total From Col. 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	23,946,221	23,065,617	4,328,094	1,002,006	0	52,341,938	100.0	XXX	XXX	52,341,937	0
10.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	0	0	0	0	0	0	0.0	XXX	XXX	0	0
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
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	23,946,221	23,065,617	4,328,094	1,002,006	0	52,341,938	100.0	XXX	XXX	52,341,937	0
10.8 Line 10.7 as a % of Col. 6	45.7	44.1	8.3	1.9	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Issuer Obligations	6,226,807	37,300,263	9,113,962	1,001,969	2,000,000	XXX	XXX	55,643,001	100.0	55,643,001	0
11.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.3 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.4 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.5 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.6 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.7 Totals	6,226,807	37,300,263	9,113,962	1,001,969	2,000,000	XXX	XXX	55,643,001	100.0	55,643,001	0
11.8 Line 11.7 as a % of Col. 8	11.2	67.0	16.4	1.8	3.6	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	23,946,221	23,065,617	4,328,094	1,002,006	0	52,341,938	100.0	55,643,001	100.0	52,341,938	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.3 Defined	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.4 Other	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.5 Defined	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.6 Other	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.7 Totals	23,946,221	23,065,617	4,328,094	1,002,006	0	52,341,938	100.0	55,643,001	100.0	52,341,938	XXX
12.8 Line 12.7 as a % of Col. 6	45.7	44.1	8.3	1.9	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	45.7	44.1	8.3	1.9	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	0.0	0	0.0	XXX	0
13.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.3 Defined	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.4 Other	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.5 Defined	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.6 Other	0	0	0	0	0	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

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE DA - VERIFICATION BETWEEN YEARS

Short-Term Investments

	1	2	3	4	5
	Total	Bonds	Mortgage Loans	Other Short-term Investment Assets(a)	Investments in Parent, Subsidiaries and Affiliates
1. Book/adjusted carrying value, December 31 of prior year.....	0	0	0	0	0
2. Cost of short-term investments acquired	105,119,307	105,119,307			
3. Accrual of discount.....	0				
4. Unrealized valuation increase (decrease).....	0				
5. Total gain (loss) on disposals.....	0				
6. Deduct consideration received on disposals.....	85,410,216	85,410,216			
7. Deduct amortization of premium.....	0				
8. Total foreign exchange change in book/adjusted carrying value.....	0				
9. Deduct current year's other than temporary impairment recognized.....	0				
10. Book adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	19,709,091	19,709,091	0	0	0
11. Deduct total nonadmitted amounts.....	0				
12. Statement value at end of current period (Line 10 minus Line 11)	19,709,091	19,709,091	0	0	0

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment:

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Schedule DB - Part A - VBY

NONE

Schedule DB - Part B - VBY

NONE

Schedule DB - Part C - VBY

NONE

Schedule DB - Part D - VBY

NONE

Schedule DB - Part E - VBY

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule E - Verification

NONE

Schedule A - Part 1

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE D - PART 1

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

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest				Dates		
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Code	For e i g n	Bond CHAR	NAIC Designation	Actual Cost	Rate Used To Obtain Fair Value	Fair Value	Par Value	Book / Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of	When Paid	Admitted Amount Due & Accrued	Amount Rec. During Year	Acquired	Maturity
31359M-QV-8	FED NTL MTG ASSO FTST	AGCY		1	1FE	1,053,339	109.4880	1,149,624	1,050,000	1,053,230		(109)			4.750	4.660	FA	18,010		10/31/2008	02/21/2013
31359M-WJ-8	FED NTL MTG ASSO FTST	AGCY			1FE	548,614	110.7380	609,064	550,000	548,624		10			4.625	4.670	AO	5,370		10/31/2008	10/15/2014
912828-AP-5	UNITED STATES TREASURY GOVERNMENT	SD			1	1,233,807	111.0080	1,387,600	1,250,000	1,234,403		596			4.000	4.350	MN	6,492	25,000	10/31/2008	11/15/2012
912828-CE-8	UNITED STATES TREASURY GOVERNMENT	SD			1	2,245,446	100.8320	2,268,720	2,250,000	2,247,009		1,563			3.125	3.570	AO	15,067		10/31/2008	04/15/2009
912828-HQ-6	UNITED STATES TREASURY GOVERNMENT	SD			1	203,485	107.3520	214,704	200,000	203,355		(130)			2.875	2.440	JJ	2,406		10/31/2008	01/31/2013
912828-HT-0	UNITED STATES TREASURY GOVERNMENT	SD			1	3,057,544	106.7690	3,203,070	3,000,000	3,055,408		(2,136)			2.750	2.280	FA	28,247		10/31/2008	02/28/2013
912828-HV-5	UNITED STATES TREASURY GOVERNMENT	SD			1	195,627	106.0670	212,134	200,000	195,783		(309,325)			2.500	3.030	MS	1,277		10/31/2008	03/31/2013
0199999	Total Bonds - U.S. Government - Issuer Obligations					8,537,862	XXX	9,044,916	8,500,000	8,537,812	0	(309,531)	0	0	XXX	XXX	XXX	76,869	25,000	XXX	XXX
0399999	Total - U.S. Government Bonds					8,537,862	XXX	9,044,916	8,500,000	8,537,812	0	(309,531)	0	0	XXX	XXX	XXX	76,869	25,000	XXX	XXX
83755G-3B-1	SOUTH DAKOTA HSG DEV AUTH	MUNI			1FE	1,400,000	98.8330	1,383,662	1,400,000	1,400,000		0	0	0	4.000	4.000	MN	9,333	28,000	10/31/2008	05/01/2012
1199999	Total Bonds - States, Territories and Possessions - Issuer Obligations					1,400,000	XXX	1,383,662	1,400,000	1,400,000	0	0	0	0	XXX	XXX	XXX	9,333	28,000	XXX	XXX
1799999	Total - States, Territories and Possessions					1,400,000	XXX	1,383,662	1,400,000	1,400,000	0	0	0	0	XXX	XXX	XXX	9,333	28,000	XXX	XXX
116083-EP-7	BROWNSBURG IND SCH BLDG	MUNI		16	1FE	1,526,092	107.4530	1,520,460	1,415,000	1,523,699		(2,393)			5.000	3.670	FA	29,479		10/31/2008	08/01/2015
452151-QK-2	ILLINOIS STATE	MUNI		6	1FE	1,153,482	109.1390	1,200,529	1,100,000	1,151,579		(1,903)			5.000	3.770	MS	18,333		10/31/2008	03/01/2013
454623-M4-8	INDIANA BD BK	MUNI		16	2FE	1,288,260	107.4610	1,289,532	1,200,000	1,285,416		(2,844)			5.000	3.310	FA	25,000		10/31/2008	08/01/2013
478271-DS-5	JOHNSON CITY TN HEALTH & EDU	MUNI		16	2FE	849,749	114.2760	885,639	775,000	846,575		(3,174)			6.000	3.190	JJ	23,250		10/31/2008	07/01/2012
49118N-BZ-7	KY ASSET LIABILITY	MUNI		6	1FE	999,990	102.3700	1,023,700	1,000,000	999,987		(3)			3.700	3.690	MS	12,333		10/31/2008	09/01/2010
546071-AA-9	LOUISA VA INDL DEV AUTH	MUNI		1	1FE	1,002,050	98.6710	986,710	1,000,000	1,002,006		(44)			4.250	4.220	AO	10,625		10/31/2008	04/01/2022
546596-FM-4	LOUISVILLE AND JEFFERSON CTY MEMPHIS TENN ELEC	MUNI		16	1FE	1,403,623	103.3740	1,343,862	1,300,000	1,399,254		(4,369)			5.750	3.410	JJ	37,375		10/31/2008	07/01/2012
586158-MK-0	MUNI				1FE	1,600,320	109.5640	1,643,460	1,500,000	1,598,957		(1,363)			5.000	4.180	JD	6,250	31,042	10/31/2008	12/01/2018
88045R-DY-5	TENNESSEE HSG DEV AGY	MUNI		6	1FE	1,120,000	99.3970	1,113,246	1,120,000	1,120,000					4.000	4.000	JJ	22,400		10/31/2008	01/01/2011
88045R-DZ-2	TENNESSEE HSG DEV AGY	MUNI		6	1FE	1,215,000	99.2530	1,205,924	1,215,000	1,215,000					4.000	4.000	JJ	24,300		10/31/2008	07/01/2011
880557-G9-8	TENN STATE SCHOOL BD AUTH	MUNI		6	1FE	975,000	101.7440	992,004	975,000	975,000					4.190	4.190	MN	6,809	20,426	10/31/2008	05/01/2011
880557-N8-2	TENN STATE SCHOOL BD AUTH	MUNI		1	1FE	1,203,780	100.9000	1,210,800	1,200,000	1,202,445		(1,335)			4.000	3.350	MN	8,000	24,000	10/31/2008	05/01/2009
92812U-MM-7	VIRGINIA ST HSG DEV AUTH COMM	MUNI		6	1FE	1,390,200	98.4310	1,378,034	1,400,000	1,390,983		783			4.000	4.380	AO	14,000		10/31/2008	10/01/2010
2599999	Total Bonds - Special Revenue - Issuer Obligations					15,727,546	XXX	15,793,900	15,200,000	15,710,901	0	(16,645)	0	0	XXX	XXX	XXX	238,154	75,468	XXX	XXX
3199999	Total - Special Revenue Bonds					15,727,546	XXX	15,793,900	15,200,000	15,710,901	0	(16,645)	0	0	XXX	XXX	XXX	238,154	75,468	XXX	XXX
172967-CH-2	CITIGROUP INC CORPORATE				1FE	768,992	99.6810	797,448	800,000	787,676		18,684			3.625	18,230	FA	11,439		10/31/2008	02/09/2009
209615-CA-9	DOMINION RESOURCES GENERAL ELECTRIC CAPITAL CORP			1	2FE	656,981	91.8170	596,811	650,000	656,815		(166)			5.000	4.790	JD	2,708	16,250	10/31/2008	12/01/2014
36962G-M6-8	KRAFT FOODS INC CORPORATE				1FE	993,980	97.6740	976,740	1,000,000	994,268		288			4.375	4.580	MN	4,861	21,875	10/31/2008	11/21/2011
50075N-AB-0	TEN VAL AUTH CORPORATE				2FE	519,355	92.0000	460,000	500,000	518,310		(1,045)			5.625	4.230	MN	4,688	14,063	10/31/2008	11/01/2011
880591-DT-6	VERIZON COMMUNICATIONS	MUNI		1	1FE	2,227,300	114.6170	2,292,340	2,000,000	2,217,219		(10,081)			6.790	3.370	MN	14,334	67,900	10/31/2008	05/23/2012
92344G-AV-8	WELLS FARGO & CO CORPORATE			1	1FE	742,035	96.6070	724,553	750,000	742,296		261			4.375	4.630	JD	2,734	16,406	10/31/2008	06/01/2013
94974G-CE-9	WELLS FARGO & CO CORPORATE				1FE	1,071,670	102.0720	1,020,720	1,000,000	1,067,552		(4,118)			6.375	3.610	FA	26,563		10/31/2008	08/01/2011
3999999	Total Bonds - Industrial, Misc. - Issuer Obligations					6,980,313	XXX	6,868,612	6,700,000	6,984,136	0	3,823	0	0	XXX	XXX	XXX	67,327	136,494	XXX	XXX
4599999	Total - Industrial and Miscellaneous Bonds					6,980,313	XXX	6,868,612	6,700,000	6,984,136	0	3,823	0	0	XXX	XXX	XXX	67,327	136,494	XXX	XXX
5499999	Total - Issuer Obligations					32,645,721	XXX	33,091,090	31,800,000	32,632,849	0	(322,353)	0	0	XXX	XXX	XXX	391,683	264,962	XXX	XXX
6099999	Totals					32,645,721	XXX	33,091,090	31,800,000	32,632,849	0	(322,353)	0	0	XXX	XXX	XXX	391,683	264,962	XXX	XXX

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Schedule D - Part 2 - Section 1

NONE

Schedule D - Part 2 - Section 2

NONE

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE D - PART 3

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

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends
.912828-HQ-6	US TREAS NOTES		.02/06/2008	FIRST TENNESSEE		203,872	200,000	.95
.912828-HT-0	US TREAS NOTES		.03/17/2008	FIRST TENNESSEE		3,057,544	3,000,000	.0
.912828-HV-5	US TREAS NTS		.05/14/2008	FIRST TENNESSEE		195,131	200,000	.615
0399999 - Total	Bonds - U.S. Government					3,456,547	3,400,000	.710
			.10/31/2008					
1799999 - Total	Bonds - States, Territories and Possessions					.0	.0	.0
.499523-UG-1	KNOX COUNTY HEALTH EDL		.02/19/2008	NORTHERN TRUST		1,091,026	1,060,000	7,508
.499527-AG-4	KNOX COUNTY HEALTH EDL		.04/02/2008	NORTHERN TRUST		3,775,000	3,775,000	.0
.499527-AH-2	KNOX COUNTY HEALTH EDL		.04/03/2008	NORTHERN TRUST		1,575,000	1,575,000	.0
.499527-AE-9	KNOX COUNTY HEALTH EDL		.05/13/2008	NORTHERN TRUST		5,000,000	5,000,000	.0
.499527-AF-6	KNOX COUNTY HEALTH EDL		.05/16/2008	NORTHERN TRUST		9,825,000	9,825,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.05/13/2008	NORTHERN TRUST		2,075,000	2,075,000	.0
.499527-AH-2	KNOX COUNTY HEALTH EDL		.05/16/2006	NORTHERN TRUST		5,125,000	5,125,000	.0
.586158-MK-0	MEMPHIS TENN ELEC SYS		.06/19/2008	NORTHERN TRUST		1,600,320	1,500,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.06/30/2008	NORTHERN TRUST		725,000	725,000	.0
.499527-AH-2	KNOX COUNTY HEALTH EDL		.06/30/2008	NORTHERN TRUST		9,425,000	9,425,000	.0
.499527-AE-9	KNOX COUNTY HEALTH EDL		.06/30/2008	NORTHERN TRUST		2,125,000	2,125,000	.0
.499527-AF-6	KNOX COUNTY HEALTH EDL		.06/30/2008	NORTHERN TRUST		3,000,000	3,000,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.07/09/2008	NORTHERN TRUST		275,000	275,000	.0
.499527-AH-2	KNOX COUNTY HEALTH EDL		.07/10/2008	NORTHERN TRUST		100,000	100,000	.0
.499527-AE-9	KNOX COUNTY HEALTH EDL		.07/22/2008	NORTHERN TRUST		5,000,000	5,000,000	.0
.499527-AF-6	KNOX COUNTY HEALTH EDL		.07/10/2008	NORTHERN TRUST		1,050,000	1,050,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.07/23/2008	NORTHERN TRUST		600,000	600,000	.0
.499527-AH-2	KNOX COUNTY HEALTH EDL		.07/17/2008	NORTHERN TRUST		500,000	500,000	.0
.499527-AE-9	KNOX COUNTY HEALTH EDL		.08/05/2008	NORTHERN TRUST		5,000,000	5,000,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.08/13/2008	NORTHERN TRUST		2,900,000	2,900,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.08/20/2008	NORTHERN TRUST		1,075,000	1,075,000	.0
.499527-AF-6	KNOX COUNTY HEALTH EDL		.08/21/2008	NORTHERN TRUST		1,250,000	1,250,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.08/27/2008	NORTHERN TRUST		425,000	425,000	.0
.499527-AH-2	KNOX COUNTY HEALTH EDL		.08/28/2008	NORTHERN TRUST		175,000	175,000	.0
.499527-AF-6	KNOX COUNTY HEALTH EDL		.08/28/2008	NORTHERN TRUST		3,000,000	3,000,000	.0
.499527-AE-9	KNOX COUNTY HEALTH EDL		.09/02/2008	NORTHERN TRUST		5,000,000	5,000,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.09/03/2008	NORTHERN TRUST		325,000	325,000	.0
.499527-AH-2	KNOX COUNTY HEALTH EDL		.09/04/2008	NORTHERN TRUST		100,000	100,000	.0
.499527-AE-9	KNOX COUNTY HEALTH EDL		.09/16/2008	NORTHERN TRUST		5,000,000	5,000,000	.0
.499527-AG-4	KNOX COUNTY HEALTH EDL		.09/17/2008	NORTHERN TRUST		5,000,000	5,000,000	.0
.499527-AH-2	KNOX COUNTY HEALTH EDL		.09/18/2008	NORTHERN TRUST		4,875,000	4,875,000	.0
.499527-AF-6	KNOX COUNTY HEALTH EDL		.09/18/2008	NORTHERN TRUST		5,000,000	5,000,000	.0
2499999 - Total	Bonds - Political Subdivisions					91,991,346	91,860,000	7,508
3199999 - Total	Bonds - Special Revenue					.0	.0	.0
.30161M-AB-9	EXELON GENERATION CO		.01/31/2008	NORTHERN TRUST		1,069,060	1,000,000	9,653
.50075N-AB-0	KRAFT FOODS INC		.02/06/2008	NORTHERN TRUST		519,355	500,000	7,813
.92344G-AV-8	VERIZON NT		.01/31/2008	NORTHERN TRUST		742,035	750,000	5,833
.437076-AR-3	HOME DEPOT INC		.02/07/2008	NORTHERN TRUST		734,858	750,000	6,125
.75913M-AB-5	REGIONS BK BIRMINGHAM AL		.05/12/2008	NORTHERN TRUST		2,523,775	2,500,000	.0
4599999 - Total	Bonds - Industrial, Misc					5,589,083	5,500,000	29,424
6099997 - Total	Bonds - Part 3					101,036,976	100,760,000	37,642
6099998 - Total	Bonds - Part 5					.0	.0	.0
6099999 - Total	Bonds					101,036,976	100,760,000	37,642
6599998 - Total	Preferred Stocks - Part 5					.0	XXX	.0
6599999 - Total	Preferred Stocks					.0	XXX	.0
7299998 - Total	Common Stocks - Part 5					.0	XXX	.0
7299999 - Total	Common Stocks					.0	XXX	.0
7399999 - Total	Preferred and Common Stocks					.0	XXX	.0
7499999 Totals						101,036,976	XXX	37,642

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21
										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 (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
3133X8-EL-2	FHLB		03/10/2008	NORTHERN TRUST		2,657,790	2,600,000	2,582,801	2,584,439	0	(1,638)		(1,638)		2,586,077		71,713	71,713		08/18/2009
31359W-WJ-8	FINMA PREASSIGN		03/10/2008	NORTHERN TRUST		52,148	50,000	49,874	49,916	0	(2)		(2)		49,918		2,231	2,231		10/15/2014
912828-AN-0	US TREAS NTS		04/01/2008	MATURED		100,000	100,000	101,226	99,952	0	(48)		(48)		100,000		0	0	250	11/15/2007
313444-TE-4	FHLMC		04/01/2008	MATURED		3,000,000	300,000	3,037,968	3,001,309	0	1,309		1,309		3,000,000		0	0	41,250	03/15/2008
912828-AZ-3	US TREAS NTS		06/01/2008	MATURED		200,000	200,000	200,000	200,000	0	0		0		200,000		0	0	3,063	03/15/2008
31359W-NU-3	FINMA		07/10/2008	NORTHERN TRUST		1,510,944	1,500,000	1,516,466	1,507,740	0	844		844		1,506,896		4,048	4,048	35,000	08/01/2012
0399999	Bonds - U.S. Governments					7,520,882	4,750,000	7,488,335	7,443,356	0	465		465		7,442,891		77,992	77,992	79,563	XXX
837031-PC-1	SOUTH CAROLINA JOBS VAR NT		02/05/2008	NORTHERN TRUST		1,000,000	1,000,000	1,000,000	1,000,000	0	0		0		1,000,000		0	0	3,074	10/01/2028
592065-3K-0	METRO GOVT NASHVILLE VAR		02/08/2008	NORTHERN TRUST		1,000,000	1,000,000	1,000,000	1,000,000	0	0		0		1,000,000		0	0	3,194	12/01/2031
13033K-6V-6	CALIFORNIA HSG FIN		03/10/2008	NORTHERN TRUST		1,000,000	1,000,000	1,000,000	1,000,000	0	0		0		1,000,000		0	0	4,521	08/01/2009
499527-AE-9	KNOX CNTY HEALTH EDL		06/17/2008	NORTHERN TRUST		2,500,000	2,500,000	2,500,000	2,500,000	0	0		0		2,500,000		0	0	50,000	01/01/2046
499527-AF-6	KNOX CNTY HEALTH EDL		06/05/2008	NORTHERN TRUST		2,825,000	2,825,000	2,825,000	2,825,000	0	0		0		2,825,000		0	0	65,000	01/01/2046
499527-AF-6	KNOX CNTY HEALTH EDL		06/19/2008	NORTHERN TRUST		5,000,000	5,000,000	5,000,000	5,000,000	0	0		0		5,000,000		0	0	30,000	01/01/2046
340746-AA-2	FLORIDA HURRICANE CAT FUND		07/01/2008	MATURED		1,500,000	1,500,000	1,534,965	1,508,392	0	8,392		8,392		1,500,000		0	0	37,500	07/01/2008
499527-AG-4	KNOX CNTY HEALTH		07/02/2008	NORTHERN TRUST		2,000,000	2,000,000	2,000,000	2,000,000	0	0		0		2,000,000		0	0	75,000	01/01/2046
499527-AH-2	KNOX CNTY HEALTH		07/03/2008	NORTHERN TRUST		700,000	700,000	700,000	700,000	0	0		0		700,000		0	0	90,000	01/01/2046
499527-AE-9	KNOX CNTY HEALTH		07/08/2008	NORTHERN TRUST		1,625,000	1,625,000	1,625,000	1,625,000	0	0		0		1,625,000		0	0	35,000	01/01/2046
499527-AF-6	KNOX CNTY HEALTH		07/17/2008	NORTHERN TRUST		2,000,000	2,000,000	2,000,000	2,000,000	0	0		0		2,000,000		0	0	101,000	01/01/2046
499527-AE-9	KNOX CNTY HEALTH		07/29/2008	NORTHERN TRUST		2,500,000	2,500,000	2,500,000	2,500,000	0	0		0		2,500,000		0	0	38,000	01/01/2046
499527-AH-2	KNOX CNTY HEALTH		08/01/2008	NORTHERN TRUST		100,000	100,000	100,000	100,000	0	0		0		100,000		0	0	85,000	01/01/2046
499527-AG-4	KNOX CNTY HEALTH		08/06/2008	NORTHERN TRUST		1,450,000	1,450,000	1,450,000	1,450,000	0	0		0		1,450,000		0	0	65,000	01/01/2046
499527-AH-2	KNOX CNTY HEALTH		08/07/2008	NORTHERN TRUST		100,000	100,000	100,000	100,000	0	0		0		100,000		0	0	91,000	01/01/2046
499527-AF-6	KNOX CNTY HEALTH		08/07/2008	NORTHERN TRUST		1,325,000	1,325,000	1,325,000	1,325,000	0	0		0		1,325,000		0	0	51,000	01/01/2046
499527-AE-9	KNOX CNTY HEALTH		08/12/2008	NORTHERN TRUST		6,000,000	6,000,000	6,000,000	6,000,000	0	0		0		6,000,000		0	0	200,000	01/01/2046
499527-AH-2	KNOX CNTY HEALTH		08/14/2008	NORTHERN TRUST		5,000,000	5,000,000	5,000,000	5,000,000	0	0		0		5,000,000		0	0	165,519	01/01/2046
499527-AF-6	KNOX CNTY HEALTH		09/04/2008	NORTHERN TRUST		1,975,000	1,975,000	1,975,000	1,975,000	0	0		0		1,975,000		0	0	50,000	01/01/2046
499527-AE-9	KNOX CNTY HEALTH		09/09/2008	NORTHERN TRUST		4,000,000	4,000,000	4,000,000	4,000,000	0	0		0		4,000,000		0	0	235,000	01/01/2046
499527-AF-6	KNOX CNTY HEALTH		09/11/2008	NORTHERN TRUST		3,000,000	3,000,000	3,000,000	3,000,000	0	0		0		3,000,000		0	0	76,000	01/01/2046
499527-AE-9	KNOX CNTY HEALTH		09/24/2008	NORTHERN TRUST		10,500,000	10,500,000	10,500,000	10,500,000	0	0		0		10,500,000		0	0	80,684	01/01/2046
499527-AG-4	KNOX CNTY HEALTH		09/25/2008	NORTHERN TRUST		13,725,000	13,725,000	13,725,000	13,725,000	0	0		0		13,725,000		0	0	218,962	01/01/2046
499527-AF-6	KNOX CNTY HEALTH		09/26/2008	NORTHERN TRUST		7,000,000	7,000,000	7,000,000	7,000,000	0	0		0		7,000,000		0	0	0	01/01/2046
49952M-KB-1	KNOX CNTY HEALTH EDL		10/29/2008	NORTHERN TRUST		990,000	1,100,000	1,140,458	1,135,401	0	5,057		5,057		1,130,343		(140,343)	(140,343)	27,500	04/01/2013
162410-CC-6	CHATT TENN HEALTH EDL		10/29/2008	NORTHERN TRUST		284,448	315,000	321,844	320,786	0	560		560		320,226		(35,778)	(35,778)	7,875	10/01/2015
499527-AH-2	KNOX CNTY HEALTH		10/29/2008	NORTHERN TRUST		14,975,000	14,975,000	14,975,000	14,975,000	0	0		0		14,975,000		0	0	173,396	01/01/2046
678841-HS-9	OKLAHOMA CITY SCH DIST		10/27/2008	NORTHERN TRUST		1,858,979	1,780,000	1,881,015	1,849,551	0	14,904		14,904		1,834,648		24,331	24,331	89,000	07/01/2011
182511-BE-3	CLARKSVILLE TN NAT GAS		10/29/2008	NORTHERN TRUST		953,600	1,000,000	1,033,040	1,021,415	0	5,507		5,507		1,015,908		(62,308)	(62,308)	25,000	12/15/2010
499523-UE-6	KNOX CNTY HEALTH EDL		10/29/2008	NORTHERN TRUST		879,800	1,060,000	1,091,026	953,574	0	2,458		2,458		1,088,569		(208,769)	(208,769)	18,992	07/01/2016
499527-AH-2	KNOX CNTY HEALTH EDL		08/07/2008	NORTHERN TRUST		1,000,000	1,000,000	1,000,000	1,000,000	0	0		0		1,000,000		0	0	0	01/01/2046
499523-UE-6	KNOX CNTY HEALTH EDL		10/29/2008	NORTHERN TRUST		862,800	960,000	951,250	953,574	0	(1,071)		(1,071)		954,645		(91,845)	(91,845)	43,200	07/01/2012
2499999	Bonds - Political Subdivisions					99,629,627	100,015,000	100,253,598	10,742,693	0	35,807		35,807		37,144,339		(514,712)	(514,712)	2,235,417	XXX
33738M-AC-6	WACHOVIA BANK CORPORATE		12/01/2008	MATURITY		800,000	800,000	820,576	800,000	0	(20,576)		(20,576)		800,000		0	0	23,200	12/01/2008
247025-AD-1	DELL COMPUTER CORP		04/15/2008	MATURED		1,550,000	1,550,000	1,557,037	1,555,278	0	5,278		5,278		1,550,000		0	0	0	04/15/2008
758940-AF-7	REGIONS FINANCIAL CORP NT		05/12/2008	NORTHERN TRUST		2,577,575	2,500,000	2,513,850	2,504,423	0	466		466		2,503,957		73,618	73,618	0	03/01/2011
867914-AQ-6	SUNTRUST BKS INC		06/01/2008	MATURED		750,000	750,000	813,465	756,899	0	6,898		6,898		750,000		0	0	0	06/01/2008
52517P-SC-6	LEHMAN BROS HLDGS INC		10/27/2008	NORTHERN TRUST		95,500	1,000,000	1,096,780	1,043,013	0	8,065		8,065		1,034,948		(939,448)	(939,448)	66,250	01/18/2012
30161M-AB-9	EXELON GENERATION CO		10/27/2008	NORTHERN TRUST		915,470	1,000,000	1,069,060	1,053,900	0	15,160		15,160		1,034,900		(138,430)	(138,430)	25,097	06/15/2011
00209T-AA-3	AT&T BROADBAND CORP		10/27/2008	NORTHERN TRUST		484,075	500,000	613,730	571,952	0	10,445		10,445		561,507		(77,432)	(77,432)	41,875	03/15/2013
22541L-AB-9	CR SUISSE 1ST BSTN USA INC		10/27/2008	NORTHERN TRUST		715,868	750,000	802,823	780,335	0	5,935		5,935		774,400		(58,532)	(58,532)	22,969	11/15/2011
06050S-CU-6	PVTP BK AMER CORP		10/27/2008	NORTHERN TRUST		619,720	800,000	848,135	843,048	0	3,522		3,522		839,526		(219,806)	(219,806)	43,360	03/15/2017
437076-AR-3	HOME DEPOT INC		10/27/2008	NORTHERN TRUST		627,930	750,000	734,858	750,000	0	(1,731)		(1,731)		736,588		(108,658)	(108,658)	13,563	12/16/2013
40429C-CX-8	PVTP HSBC FIN CORP		10/27/2008	NORTHERN TRUST		693,248	750,000	750,900	750,531	0	133		133		750,399		(57,151)	(57,151)	39,375	01/14/2011
381416-AZ-7	GOLDMAN SACHS GROUP INC		10/27/2008	NORTHERN TRUST																

Schedule D - Part 5

NONE

Schedule D - Part 6 - Section 1

NONE

Schedule D - Part 6 - Section 2

NONE

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE DA - PART 1

Showing all **SHORT-TERM INVESTMENTS** Owned December 31 of Current Year

1 Description	Codes		4 Date Acquired	5 Name of Vendor	6 Maturity Date	7 Book/ Adjusted Carrying Value	Change In Book/Adjusted Carrying Value				12 Par Value	13 Actual Cost	Interest					20 Paid for Accrued Interest	
	2 Code	3 Foreign					8 Unrealized Valuation Increase/ (Decrease)	9 Current Year's (Amortization) / Accretion	10 Current Year's Other Than Temporary Impairment Recognized	11 Total Foreign Exchange Change in B./A.C.V.			14 Amount Due And Accrued Dec. 31 of Current Year On Bond Not In Default	15 Non-Admitted Due and Accrued	16 Rate of	17 Effective Rate of	18 When Paid		19 Amount Received During Year
5499999 - Total - Issuer Obligations						0	0	0	0	0	0	0			XXX	XXX	XXX	0	0
6099999 - Total - Bonds						0	0	0	0	0	0	0			XXX	XXX	XXX	0	0
JP MORGAN US GOVT MMF AGENCY SHARES			12/31/2008	J.P. MORGAN		19,709.091	0	0	0	0	19,709.091	19,709.091			XXX	XXX	MON	0	0
7999999 - Exempt Money Market Mutual Funds						19,709.091	0	0	0	0	XXX	19,709.091			XXX	XXX	XXX	0	0
8299999 Totals						19,709.091	0	0	0	0	XXX	19,709.091			XXX	XXX	XXX	0	0

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Schedule DB - Part A - Section 1

NONE

Schedule DB - Part A - Section 2

NONE

Schedule DB - Part A - Section 3

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part B - Section 2

NONE

Schedule DB - Part B - Section 3

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Part C - Section 3

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DB - Part D - Section 3

NONE

Schedule DB - Part E - Section 1

NONE

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned December 31 of Current Year

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 Totals					0	0	0

E26

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE E PART 3 - SPECIAL DEPOSITS

States, Etc.	1 Type of Deposits	2 Purpose of Deposits	Deposits For		All Other Special Deposits		
			The Benefit of All Policyholders		5 Book/Adjusted Carrying Value	6 Fair Value	
			3 Book/Adjusted Carrying Value	4 Fair Value			
1. Alabama	AL						
2. Alaska	AK						
3. Arizona	AZ						
4. Arkansas	AR						
5. California	CA						
6. Colorado	CO						
7. Connecticut	CT						
8. Delaware	DE						
9. District of Columbia	DC						
10. Florida	FL						
11. Georgia	GA						
12. Hawaii	HI						
13. Idaho	ID						
14. Illinois	IL						
15. Indiana	IN						
16. Iowa	IA						
17. Kansas	KS						
18. Kentucky	KY						
19. Louisiana	LA						
20. Maine	ME						
21. Maryland	MD						
22. Massachusetts	MA						
23. Michigan	MI						
24. Minnesota	MN						
25. Mississippi	MS						
26. Missouri	MO						
27. Montana	MT						
28. Nebraska	NE						
29. Nevada	NV						
30. New Hampshire	NH						
31. New Jersey	NJ						
32. New Mexico	NM						
33. New York	NY						
34. North Carolina	NC						
35. North Dakota	ND						
36. Ohio	OH						
37. Oklahoma	OK						
38. Oregon	OR						
39. Pennsylvania	PA						
40. Rhode Island	RI						
41. South Carolina	SC						
42. South Dakota	SD						
43. Tennessee	TN	B	DOI	6,935,957	7,286,228		
44. Texas	TX						
45. Utah	UT						
46. Vermont	VT						
47. Virginia	VA						
48. Washington	WA						
49. West Virginia	WV						
50. Wisconsin	WI						
51. Wyoming	WY						
52. American Samoa	AS						
53. Guam	GU						
54. Puerto Rico	PR						
55. US Virgin Islands	VI						
56. Northern Mariana Islands	MP						
57. Canada	CN						
58. Aggregate Other Alien	OT	XXX	XXX	0	0	0	0
59. Total	XXX	XXX		6,935,957	7,286,228	0	0
DETAILS OF WRITE-INS							
5801.							
5802.							
5803.							
5898.	Summary of remaining write-ins for Line 58 from overflow page	XXX	XXX	0	0	0	0
5899.	Totals (Lines 5801 - 5803 + 5898)(Line 58 above)	XXX	XXX	0	0	0	0

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(http://www.naic.org/committees_e_app_blanks.htm)

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