REPORT OF EXAMINATION
OF THE

BC LIFE AND HEALTH INSURANCE COMPANY

AS OF
DECEMBER 31, 2006

Filed June 20, 2008

TABLE OF CONTENTS

PAGE

SCOPE OF EXAMINATION 1

SUBSEQUENT EVENTS 2

COMPANY HISTORY 2

MANAGEMENT AND CONTROL: 2
Management Agreements 4

TERRITORY AND PLAN OF OPERATION 6

REINSURANCE: 6
Assumed 6
Ceded 6

ACCOUNTS AND RECORDS 7

FINANCIAL STATEMENTS: 8
Statement of Financial Condition as of December 31, 2006 9
Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2006 11
Reconciliation of Capital and Surplus
from December 31, 2003 through December 31, 2006 12

COMMENTS ON FINANCIAL STATEMENT ITEMS: 13
Aggregate Reserve for Life Contracts 13
Aggregate Reserve for Accident and Health Contracts 13
Liability for Deposit Type Contracts 13
Contract Claims: Life 13
Contract Claims: Accident and Health 13

SUMMARY OF COMMENTS AND RECOMMENDATIONS: 13
Current Report of Examination 13
Previous Report of Examination 14

ACKNOWLEDGEMENT 15

Los Angeles, California
May 19, 2008

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

BC LIFE AND HEALTH INSURANCE COMPANY

(hereinafter also referred to as the Company) at its primary location of its books and records located at 1 Wellpoint Way, Thousand Oaks, California 91367. The Company's statutory home office and main administrative office is located at 21555 Oxnard Street, Woodland Hills, California 91367.

SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 2003. This examination covers the period from January 1, 2004 through December 31, 2006. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and a determination of liabilities as of December 31, 2006, as deemed necessary under the circumstances.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; loss experience; and sales and advertising.

SUBSEQUENT EVENTS

On October 4, 2007 the California Department of Insurance (CDI) approved an amended Certificate of Authority to change the Company's name to Anthem Blue Cross Life and Health Insurance Company. On November 21, 2007 the CDI received notice of the Company's declaration of dividend to its shareholder. On December 31, 2007, the Company paid an ordinary cash dividend to its parent, WellPoint California Services, Inc., in the amount of $238.1 million.

COMPANY HISTORY

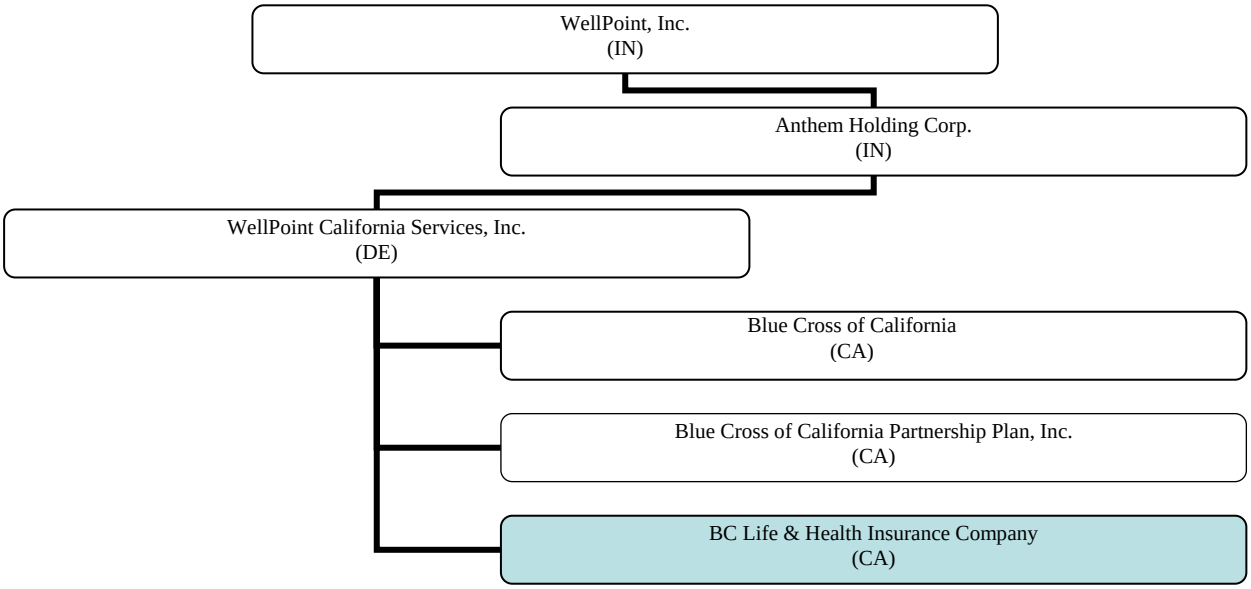
The Company was organized under the laws of the State of California on May 29, 1991, as Woodland Hills Life Insurance Company, and commenced business on August 2, 1991. The Company is a wholly-owned subsidiary of WellPoint California Services, Inc., (WellPoint California). WellPoint California became a wholly-owned subsidiary of Anthem Holding Corp, effective November 30, 2004 resulting from the merger of WellPoint Health Networks, Inc. and Anthem, Inc., which formed WellPoint, Inc., the Company's ultimate parent.

The Company paid the following ordinary cash dividends to its parent, WellPoint California, during the examination period:

Year	Amount
2004	$165,000,000
2005	190,000,000
2006	207,200,000
Total	$562,200,000

MANAGEMENT AND CONTROL

The following abridged organizational chart which is limited to the Company's parents along with its affiliates, depicts the Company's relationship within the holding company system:



All ownership is 100%.

Management of the Company is vested in a three-member board of directors elected annually. A listing of the members of the board and principal officers serving on December 31, 2006 follows:

Directors

Name and Residence	Principal Business Affiliation
Angela Fick Braly* Indianapolis, Indiana	President and Chief Executive Officer WellPoint, Inc.
David Charles Colby ** Indianapolis, Indiana	Chief Financial Officer WellPoint, Inc.
Brian Anthony Sassi Thousand Oaks, California	President and Chief Executive Office, Consumer Business WellPoint, Inc.

(*) Replaced by Sandra Hamilton Miller on April 1, 2007. Sandra Hamilton Miller was replaced by John Cannon III on January 7, 2008.

Principal Officers

Name	Title
Brian Anthony Sassi	Chief Executive Officer
Nicholas Lawrence Brecker, III	President
David Charles Colby**	Chief Financial Officer
Robert David Kretschmer	Treasurer
Nancy Louise Purcell	Secretary
Douglas Alan Schur	Assistant Secretary

(**) Replaced by Wayne Scott DeVeydt on May 31, 2007.

Management Agreements

Administrative Services Agreement: The Company has an administrative services agreement with its affiliate, Blue Cross of California (BCC) effective August 1, 1997. Under the terms of the agreement, BCC provides office space, facilities planning and management, central systems, financial services, actuarial services, human resources services and legal services. BCC is authorized by the Company to receive funds for the account of the Company. The funds are held in a state or federal bank authorized to do business in California. BCC transmits funds to the Company within five business days following the receipt of such funds. BCC is also authorized by the Company to market and sell its products. This agreement was approved by the California Department of Insurance (CDI) on June 17, 1999. Fees paid by the Company for 2004, 2005 and 2006 were $307,653,125, $338,900,915 and $331,172,582, respectively.

Administrative Services Agreement: The Company has an administrative services agreement dated August 1, 2003 with Worldwide Insurance Services, Inc. (WIS), a Virginia corporation. Under the terms of the agreement, WIS provides a variety of administrative services, including: underwriting, pricing of risk, premium and fee administration, policy and contract administration, policyholder and customer services, claims administration, and management of third party vendors, including preferred provider organizations and other vendors who provide services with respect to reinsured policies of the Company under a coinsurance agreement with HTH Re Ltd., a Bermuda reinsurer. The

agreement was approved by the CDI on September 21, 2007. Fees paid by the Company for 2004, 2005, and 2006 were $1,111,662, $762,979, and $1,428,948, respectively.

Subcontractor Services Agreement: The Company and WIS entered into a Subcontractor Services Agreement effective August 1, 2003. Under the terms of the agreement, the Company provides WIS the following services; claims adjudication services, customer services, personnel, and management services. Fees charged by the Company under this agreement is $9.30 per claim, with additional access fees calculated based on claims experience. The subcontractor service agreement was submitted for approval to the CDI on May 10, 2006. The agreement is being reviewed by the CDI.

Pharmacy Benefit Services Agreement: The Company is a party to the Pharmacy Benefit Services Agreement with Professional Claim Services, Inc. dba WellPoint Pharmacy Management and Blue Cross of California effective June 1, 1998. Under the terms of the agreement WellPoint Pharmacy Management agrees to provide certain clerical, network and claims processing activities. The Company submitted an amendment to clarify the contracting arrangements with pharmaceutical manufacturers for manufacturer discounts to the CDI on June 22, 2006 as required by California Insurance Code Section 1215.5(5)(b) which was approved on December 14, 2007. Fees paid by the Company for 2004, 2005, and 2006 were $2,763,535, $5,294,699, and $2,557,931, respectively.

Consolidated Federal Income Tax Agreement: The Company is a party to a Consolidated Federal Income Tax Agreement effective December 31, 2005 with its ultimate parent, WellPoint, Inc. (WellPoint) and all of the subsidiaries in which WellPoint directly or indirectly has an 80% or greater ownership interest. Under the terms of the agreement, the federal income tax is allocated between the companies based on the Company's separate income tax return calculation with credit for net losses that can be used on a consolidated basis. Intercompany income tax balances are settled based on the Internal Revenue Service due dates. The CDI approved this agreement on April 26, 2007.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact life and disability insurance solely in the State of California. The Company offers traditional medical and dental coverage, as well as preferred provider organization and indemnity coverage, and provides administrative services relating to health plans for self-insured employers. The Company also writes life insurance for individuals and group term life insurance for small and large employer groups. The Company's total direct written business for the year ending 2006 was $2.8 billion. The business was comprised of group accident and health insurance,
$1.9 billion (67.3%), other accident and health insurance business, $887 million (31.3%), and group and ordinary life, $39 million (1.4%).

The Company operates as a licensee of the Blue Cross Blue Shield Association. The Company services approximately 6.8 million members. The Company does not have its own employees. Services are provided to the Company by its affiliate, Blue Cross of California. The Company markets its products through independent agents, and direct marketing.

REINSURANCE

Assumed

The Company does not assume reinsurance.

Ceded

The following is a summary of the principal ceded reinsurance treaties in-force as of December 31, 2006:

Reinsurer's Name	Effective Date	Company's Retention	Treaty Limits	Lines Reinsured
BCS Insurance Company	January 1, 2003 Renewable Yearly	$500,000 each group loss.	$1.5 million excess of $500,000 each group loss.	Group Hospital and Medical Large groups and Administrative Services. Individual Hospital and Medical.
HTH Re, Ltd.	August 1, 2003	80% Quota Share	20% Quota Share	Health Coverage for International Students.
Swiss Re Life & Health America, Inc.	May 1, 2003	$200,000 per life	not to exceed $800,000 per person	Large Group Division basic & supplemental group life including disability waiver of premiums.
Swiss Re Life & Health America, Inc.	May 1, 2003	$100,000 per life	900,000 per life	Individual and Group Accidental Death and Dismemberment excess.
Cologne Life Reinsurance Company.	October 1, 1997	20% Quota Share	80% Quota Share	Individual Long Term Care.

ACCOUNTS AND RECORDS

During the course of the examination, documentation was requested by the examination team to review the Company's litigation files. The Company did not provide sufficient detail data relating to litigated claim files for accident and health contracts. The Company cited attorney client privilege and stated that the information requested by the California Department of Insurance was highly sensitive and would jeopardize its attorney client privilege. The Company subsequently provided the examiners with certification by its attorneys which attested that the Company's litigated reserve amounts were in compliance with the Statements of Financial Accounting Standards, Number 5 – Accounting for Contingencies.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2006

Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2006

Reconciliation of Capital and Surplus
from December 31, 2003 through December 31, 2006

Statement of Financial Condition
as of December 31, 2006

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 1,093,450,651	$	$ 1,093,450,651	
Preferred stocks	6,073,968		6,073,968	
Cash and short-term investments	196,573,427		196,573,427	
Contract loans	66,360		66,360	
Receivables for securities	61,085,388		61,085,388	
Aggregate write-in for invested assets	23,375		23,375	
Investment income due and accrued	10,565,381		10,565,381	
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	45,512,993	6,168,972	39,344,021	
Reinsurance:				
Amounts recoverable from reinsurers	6,766,669	1,469,277	5,297,392	
Other amount receivable under reinsurance contracts	283,638		283,638	
Amounts receivable relating to uninsured plans	120,745,190	17,306,607	103,438,583	
Current federal income tax recoverable	2,063,982		2,063,982	
Net deferred tax asset	32,596,500	7,727,833	24,868,667	
Receivable from parent, subsidiaries and affiliates	23,162,385		23,162,385	
Health care and other amounts receivable	20,324,061	4,539,223	15,784,838	
Aggregate write-ins for other than invested assets	2,175,758	2,175,758		
Total assets	$ 1,621,469,726	$ 39,387,670	$ 1,582,082,056	

Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 5,877,898	(1)
Aggregate reserve for accident and health policies	80,529,332	(1)
Liability for deposit-type contracts	12,159,360	(1)
Contract claims: Life		
Life	4,133,469	(1)
Accident and health	313,767,152	(1)
Premiums and annuity considerations received in advance	10,289,445	
Contract liabilities not included elsewhere:		
Provision for experience rating refund	21,179,496	
Other amounts payable on reinsurance	274,343	
Interest maintenance reserve	2,650,657	
Commissions to agents due or accrued	15,733,862	
General expenses due or accrued	23,682,588	
Taxes, licenses and fees due or accrued	10,743,311	
Amounts withheld or retained by company as agent or trustee	729,605	
Remittances and items not allocated	22,276,562	
Miscellaneous liabilities:		
Asset valuation reserve	5,138,046	
Reinsurance in unauthorized companies	2,667,865	
Funds held with unauthorized reinsurers	1,786,555	

Payable to parent, subsidiaries and affiliates		127,324,786
Liability for amounts held under uninsured plans		10,354,747
Payable for securities		74,546,759
Aggregate write-ins for liabilities		74,163,270
Total liabilities		820,009,108
Common capital stock	$ 5,000,000	
Gross paid-in and contributed surplus	25,000,000	
Unassigned funds (surplus)	732,072,948	
Capital and surplus		762,072,948
Total liabilities, capital and surplus		$ 1,582,082,056

Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2006

Statement of Income

Premiums and annuity considerations	$ 2,835,094,893	
Net investment income	57,589,227	
Amortization of interest maintenance reserve (IMR)	(340,647)	
Commissions and expenses allowances on reinsurance ceded	3,115,489	
Aggregate write-ins for miscellaneous Income	5,547,323	
Total		$ 2,901,006,285
Death benefits	16,949,473	
Disability benefits and benefits under accident and health policies	1,983,551,174	
Surrender benefits and withdrawals for life contracts	12,807	
Group conversions	(1,450)	
Interest and adjustment on contracts or deposit-type funds	2,516,155	
Increase in aggregate reserve for life and accident and health contracts	7,366,928	
Commissions on premiums, annuity considerations and deposit-type contracts	173,225,650	
General insurance expenses	131,598,439	
Insurance taxes, licenses and fees, excluding federal income taxes	84,680,504	
Aggregate write-ins for deductions	5,834	
Total		2,399,905,514
Net gain from operations before federal income taxes		501,100,771
Federal income taxes incurred		170,375,267
Net gain from operations before realized capital losses		$ 330,725,504
Net realized capital losses		(1,081,669)
Net income		$ 329,643,835

Capital and Surplus Account

Capital and surplus, December 31, 2005		$ 662,773,412
Net income	$ 329,643,835	
Change in unrealized capital losses	(75,162)	
Change in net deferred income tax	(1,955,060)	
Change in non-admitted assets and related items	(19,149,332)	
Change in liability for reinsurance in unauthorized companies	(1,186,625)	
Change in assets valuation reserve	(778,120)	
Dividends to stockholders	(207,200,000)	
Net change in capital and surplus for the year		99,299,536
Capital and surplus, December 31, 2006		$ 762,072,948

Reconciliation of Capital and Surplus
from December 31, 2003 through December 31, 2006

	Gain in Surplus	Loss in Surplus	
Capital and surplus, December 31, 2003, per Examination			$ 419,969,947
Net income	$ 918,133,592	$	
Net unrealized capital gains	379,718		
Change in net deferred income tax	15,478,617		
Change in nonadmitted assets and related items		24,151,301	
Change in asset valuation reserve		3,349,160	
Changes in liability for reinsurance in non-authorized companies		2,188,465	
Dividends to stockholders		562,200,000	
Total gains and losses in surplus	$ 933,991,927	$ 591,888,926	
Increase in capital and surplus			342,103,001
Capital and surplus, December 31, 2006, per Examination			$ 762,072,948

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Aggregate Reserve for Life Contracts
Aggregate Reserve for Accident and Health Contracts
Liability for Deposit Type Contracts
Contract Claims: Life
Contract Claims: Accident and Health

The California Department of Insurance (CDI) contracted with the National Actuarial Network, Inc.(NAN) to perform the review of the Company's reserves. NAN provided an actuarial review of the above captioned liability accounts and other related asset accounts. A Life Actuary from the CDI reviewed the report of NAN and concurred with their findings. NAN concluded that in all material respects the items examined were properly stated in the Company's year-end 2006 Annual Statement with the exception of the following:

The Company's claim reserves for its accident and health (A&H) business was calculated based on the combined claims experience of the Company and its affiliates. The Company's year-end reported claim liability was then set equal to an allocated percentage of the combined A&H claims liability of the Company and its affiliates. It is recommended that the Company review its claim reserve methodology and include only claims' data that is most relevant and applicable to the line of business whose reserve is being determined.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Comments on Financial Statement Items-Aggregate Reserve for Accident and Health Contracts (Page 13): It is recommended that the Company review its claim reserve methodology and include only claims' data that is most relevant and applicable to the line of business whose reserve is being determined.

Previous Report of Examination

Bonds (Page 11): The Company did not submit the original "Certification Form" as required by California Insurance Code (CIC) Section 1104.9(d) to the California Department of Insurance (CDI) for approval. The Company submitted the Certification Form to the CDI on March 31, 2005.

Receivable from parent, subsidiaries and affiliates (Page 11): It was recommended that the Company amend the Pharmaceutical Services Agreement between Professional Claims Services to include a provision which specifically describes the methodology of calculating, allocating and settling of pharmaceutical rebates among affiliates. It was also recommended that the amendment be submitted to the CDI pursuant to CIC Section 1215.5(b)(4). The Company complied with these recommendations and the amendment was approved on December 14, 2007.

Aggregate reserve for accident and health contracts (Page 12): It was recommended that the Company request and maintain an actuarial opinion from its long term care TPA attesting to the appropriateness of the assumption and methodology used in setting the long term care reserves. The Company has implemented this recommendation.

Provision For Experience Rating Refunds (Page 12): It was recommended that the Company establish procedures to insure that its Annual Statement liability reflects only positive experience refund balances and that the accrued additional retrospective premiums asset account be recorded as a write-in for other than invested assets, with a corresponding entry to premiums pursuant to Statements of Statutory Accounting Principles Number 66, Section 8 (b). The Company complied with the recommendation during 2007.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Company's officers and parent's employees during the course of this examination are hereby acknowledged.

Respectfully submitted,

/S/

Gint Prismantas, CFE
Senior Insurance Examiner
Department of Insurance
State of California