

REPORT OF EXAMINATION  
OF THE  
BLUE SHIELD OF CALIFORNIA LIFE & HEALTH  
INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2024

A handwritten signature in blue ink, appearing to read "D. DeLa", is positioned above the filing date.

Filed on November 3, 2025

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Sacramento, California  
October 23, 2025

Honorable Ricardo Lara  
Insurance Commissioner  
California Department of Insurance  
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

**BLUE SHIELD OF CALIFORNIA LIFE & HEALTH INSURANCE COMPANY**

(hereinafter also referred to as the Company). The Company's home office is located at 601 12<sup>th</sup> Street, Oakland, California 94607.

**SCOPE OF EXAMINATION**

We have performed our single-state examination of the Company. The previous examination of the Company was as of December 31, 2020. This examination covered the period from January 1, 2021 through December 31, 2024.

The examination was conducted in accordance with the National Association of Insurance Commissioners Financial Condition Examiners Handbook (Handbook). The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is

identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

The examination was conducted concurrently with the examination of the Company's affiliate, CareAmerica Life Insurance Company.

## COMPANY HISTORY

### Dividends

In September 2022, the Company paid an ordinary cash dividend to California Physicians' Service dba Blue Shield of California (BSC) in the amount of \$14,300,000.

In September 2023, the Company paid an ordinary cash dividend to BSC in the amount of \$14,000,000.

In October 2024, the Company paid an extraordinary dividend, in both cash and securities, to BSC totaling \$60,000,000. The accounting for the extraordinary dividend resulted in a \$27,314,863 reduction in surplus paid-in and a \$32,685,137 million reduction in unassigned funds. The California Department of Insurance (CDI) approved this transaction in October 2024.

### Capitalization

The Company is authorized to issue 6,000 shares of common stock with a par value of \$1,000 per share. As of December 31, 2024, there were 2,500 shares issued and outstanding.

## MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which California Physicians' Service (d.b.a. Blue Shield of California) is the ultimate controlling entity. The following organizational chart depicts the relationships of the companies within the holding company system as of December 31, 2024 (all ownership is 100%):

California Physicians' Service d.b.a. Blue Shield of California (California)  
**Blue Shield of California Life & Health Insurance Company (California)**  
CareAmerica Life Insurance Company (California)  
Altais (California)  
    Altais Health, LLC (Delaware)  
    Altais Clinical Services (California)  
FullSpan Holding Company, Inc. (California)  
    Blue Shield of California Promise Health Plan (California)  
    Honu Kai Holding, LLC (Delaware)  
        Honu Kai Assurance, Ltd. (Hawaii)

The eleven members of the Board of Directors, who are elected annually, oversee the business and affairs of the Company. Following are members of the Board and principal officers of the Company serving on December 31, 2024:

### Board of Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Mari Baker Aptos, California	Board of Directors Blue Shield of California
Kimberly Belshe Kentfield, California	Board of Directors Blue Shield of California
Arthur Chen Oakland, California	Senior Fellow Asian Health Services
Pamela DeCoste Newbury, Massachusetts	Board of Directors Blue Shield of California
Guillermo Diaz Poway, California	Board of Directors Blue Shield of California

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Helen M. DuPlessis Lakewood, California	Board of Directors Blue Shield of California
Will Glaser Berkeley, California	Board of Directors Blue Shield of California
Kristina M. Leslie Pasadena, California	Board of Directors Blue Shield of California
Paul S. Markovich* Oakland, California	President and Chief Executive Officer Ascendium, Inc.
Leon E. Panetta** Carmel, California	Chairman The Panetta Institute of Public Policy
Ather Williams III Franklin Lakes, New Jersey	Senior Executive Vice President Wells Fargo

*\*Paul Markovich is no longer part of the Board, effective January 1, 2025.*

*\*\*Leon Panetta resigned from the Board, effective September 30, 2025.*

#### Principal Officers

<u>Name</u>	<u>Title</u>
Patrice Bergman	President and Chief Executive Officer
Michelle Mortensen	Controller
Hope H. Scott	Secretary
Ian Lebby***	Actuary
Emily R. Glidden	Treasurer
Craig Laidig	Assistant Secretary
Lisa Crawford	Assistant Secretary
Devin Gensch	Assistant Secretary

*\*\*\*Ian Lebby was replaced by John Rodgers, effective June 8, 2025.*

#### Management Agreements

Administrative Services Agreement: Effective October 1, 2003, the Company entered into an Administrative Services Agreement (Agreement) with its parent, Blue Shield of California (BSC). Under the terms of the Agreement, BSC provides the Company with

personnel services, facilities, information systems, administrative and operational support on an actual cost basis. The Agreement was approved by the California Department of Insurance (CDI) on September 13, 2004. This Agreement has been revised three times, with each revision submitted to and approved by the CDI on August 17, 2004, December 27, 2005, and May 25, 2010. The total fees incurred by the Company for services under this Agreement were: \$33,507,406, \$26,329,687, \$28,223,362, and \$27,572,044 in 2021, 2022, 2023, and 2024, respectively.

Amended and Restated Tax Sharing Agreement: Effective December 31, 2019, the Company entered into an Amended and Restated Tax Sharing Agreement (Agreement) with BSC and its affiliates, CareAmerica Insurance Company, FullSpan Holding Company, Inc., Blue Shield of California Promise Health Plan, and Altais, for the purpose of filing a consolidated federal income tax return, and, where appropriate, state and local consolidated, combined or unitary income tax returns. The Agreement was filed with the CDI on January 26, 2022, and approved on April 19, 2022. The federal income tax incurred/(recovered) by the Company for 2021, 2022, 2023, and 2024 were (\$1,293,777), \$3,299,051, \$3,514,762, and (\$1,905,546), respectively.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed and operates exclusively in California. It writes ordinary life, group life, and accident and health (A&H) insurance. Direct premiums written in 2024 by line were as follows: Ordinary and group life combined were \$9,855,637 (6.2%), and A&H policies were \$148,837,657 (93.8%).

The Company has no direct employees. Employees of Blue Shield of California (BSC), the Company's parent, manage the affairs of the Company. The Company markets through independent agents and brokers and directly through the distribution system of BSC. A&H products offered by the Company included Preferred Provider Organization health plans for individuals and for small, midsize, and large employer groups, as well as vision, dental, accidental death and dismemberment, and stop-loss coverage during the examination period.

## REINSURANCE

### Assumed

The Company did not assume any reinsurance during the examination period.

### Ceded

The following is a summary of principal reinsurance agreements in effect as of December 31, 2024:

<u>Line of Business and Type of Contract</u>	<u>Reinsurer's Name</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits</u>
<b><u>Life:</u></b>			
Excess Group Life and Accidental Death and Dismemberment (AD&D)	Swiss Re Life & Health America Inc. (authorized)	For Group Life: \$200,000 per person	For Group Life: 100% excess of \$200,000 up to a maximum of \$1,800,000 per person
		For Group AD&D: \$200,000 per person	For Group AD&D: 100% excess of \$200,000 up to a maximum of \$1,800,000 per person
<b><u>Accident and Health:</u></b>			
Excess Specific Stop Loss	QBE Reinsurance Corporation (authorized)	\$2,000,000 per member	\$5,000,000 ultimate net loss for each covered person and \$10,000,000 for all covered persons per policy period.
Mental Health and Substance Abuse	Magellan Life Insurance Company (authorized)	None	All charges for covered services after the application of network discounts and net of Members' copayments, coinsurance, and deductibles.



## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance for the period ending December 31, 2024. The accompanying comments to the amounts in the financial statements should be considered an integral part of the financial statements. No adjustments were made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2024

Summary of Operations and Capital and Surplus Account for the Year Ended  
December 31, 2024

Reconciliation of Capital and Surplus from December 31, 2020 through  
December 31, 2024

Statement of Financial Condition  
as of December 31, 2024

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 135,743,037	\$	\$ 135,743,037	
Cash, cash equivalents, and short-term investments	4,831,149		4,831,149	
Investment income due and accrued	722,427		722,427	
Uncollected premiums and agents' balances in the course of collection	1,508,445	267,902	1,240,543	
Amounts recoverable from reinsurers	1,267,000	1,267,000	0	
Current federal and foreign income tax recoverable and interest thereon	831,944		831,944	
Net deferred tax asset	1,500,034	756,927	743,107	
Receivables from parent, subsidiaries and affiliates	6,297,509		6,297,509	
Health care and other amounts receivable	2,253,494	1,413,328	840,167	
Aggregate write-ins for other-than-invested assets	7,445,366	7,445,366	0	
Total assets	<u>\$ 162,400,405</u>	<u>\$ 11,150,523</u>	<u>\$ 151,249,882</u>	

<u>Liabilities, Surplus, and Other Funds</u>			<u>Notes</u>
Aggregate reserve for life contracts		\$ 1,516,416	(1)
Aggregate reserve for accident and health contracts		11,883,336	(1)
Contract claims: Life		5,218,840	(1)
Contract claims: Accident and health		28,246,803	(1)
Premiums and annuity considerations for life and accident and health contracts received in advance less discount		5,900,878	
Commissions to agents due or accrued		1,591,688	
General expenses due or accrued		234,948	
Taxes, licenses and fees due or accrued, excluding federal income taxes		196,180	
Asset valuation reserve		375,271	
Payable for securities		5,452	
Aggregate write-ins for liabilities		1,029,651	
Total liabilities		56,199,463	
Common capital stock	2,500,000		
Gross paid in and contributed surplus	86,332,426		
Unassigned funds (surplus)	6,217,993		
Total surplus		95,050,420	
Total liabilities, surplus, and other funds		<u>\$ 151,249,882</u>	

Summary of Operations and Capital and Surplus Account  
for the Year Ended December 31, 2024

Underwriting Income

Premiums and annuity considerations	\$ 151,678,405
Net investment income	7,409,027
Amortization of Interest Maintenance Reserve	<u>(574,032)</u>
Total	158,513,400

Deductions:

Death benefits	\$ 5,123,716
Disability benefits and benefits under accident and health contracts	117,733,175
Increase in aggregate reserves for life and accident and health contracts	(9,470,710)
Commissions on premiums, annuity considerations and deposit-type contract funds	8,432,910
General insurance expenses and fraternal expenses	29,282,217
Insurance taxes, licenses and fees, excluding federal income taxes	<u>1,082,363</u>
Totals	<u>152,183,671</u>

Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	6,329,728
Federal and foreign income taxes incurred	<u>(1,905,546)</u>
Net income	<u>\$ 8,235,274</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2023	\$ 148,832,426
Net income	\$ 8,235,274
Change in net deferred income tax	(1,808,582)
Change in nonadmitted assets	(511,618)
Change in asset valuation reserve	302,920
Surplus adjustment: Paid in	(27,314,863)
Dividends to stockholders	<u>(32,685,137)</u>
Change in surplus as regards policyholders for the year	<u>(53,782,006)</u>
Surplus as regards policyholders, December 31, 2024	<u>\$ 95,050,420</u>

Reconciliation of Capital and Surplus  
from December 31, 2020 through December 31, 2024

Surplus as regards policyholders, December 31, 2020			\$ 157,010,723	<u>Notes</u>
	Gain in Surplus	Loss in Surplus		
	<hr/>	<hr/>		
Net income	\$ 33,539,128	\$		
Change in net deferred income tax		2,763,787		
Change in nonadmitted assets		5,157,811		
Surplus adjustment: Paid in		27,314,863		
Change in asset valuation reserve	722,167			
Dividends to stockholders		60,985,137		
	<hr/>	<hr/>		
Total gains and losses in surplus	\$ 34,261,295	\$ 96,221,598		
	<hr/>	<hr/>		
Net decrease in surplus as regards policyholders			(61,960,303)	
			<hr/>	
Surplus as regards policyholders, December 31, 2024			\$ 95,050,420	
			<hr/>	

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Aggregate Reserve for Life Contracts

Aggregate Reserve for Accident and Health Contracts

Contract Claims: Life

Contract Claims: Accident and Health

California Department of Insurance actuary performed an actuarial review of the aggregate reserves for the above liability accounts. Based on the review, the Company's reserves as of December 31, 2024 were found to be reasonably stated and have been accepted for purposes of this examination.

## SUBSEQUENT EVENTS

On October 17, 2024, the Company filed a Form A with the California Department of Insurance (CDI) to restructure the holding company group, creating a new Delaware non-profit entity, Ascendium, Inc., as the ultimate controlling parent and Aries Health LLC, a nonprofit Delaware limited liability company, as the second-tier holding company. The restructuring was approved by the CDI on December 6, 2024 and became effective January 1, 2025. The restructure is expected to have a minimal impact to the Company's operations and is expected to provide improved tax treatment for the group, enhance opportunities for growth in the marketplace for non-insurance affiliates, and enable entities within the holding company system to align more effectively with the group's objectives.

Effective for January 1, 2025, the Company entered into a Second Amended and Restated Tax Sharing Agreement with Ascendium, Inc., a Delaware non-stock non-profit corporation (the "Ultimate Controlling Person"), California Physicians Service, dba Blue Shield of California, a California corporation (the "Former Ultimate Controlling Person") and the following entities: Stellarus, LLC, a Delaware limited liability corporation, CareAmerica Life Insurance Company, FullSpan Holding Company, Inc., Blue Shield of California Promise Health Plan, Altais, and Honu Kai Assurance, Ltd., for the purpose of filing a consolidated federal income tax return. Pursuant to the terms of the Agreement, Ascendium, Inc., as the new parent, together with its subsidiaries, including the Company, will allocate and settle the consolidated income tax liability among the members of the

group in a consolidated tax filing, in accordance with the Internal Revenue Service Code section 1552(a) and Treasury Regulations Section 1.1552-1. The Agreement was filed with the CDI for review on December 6, 2024 and was approved on February 25, 2025.

In June 2025, the Company paid an extraordinary dividend, in both cash and securities, to BSC totaling \$35,000,000. The CDI approved this transaction in June 2025.

### SUMMARY OF COMMENTS AND RECOMMENDATIONS

#### Current Report of Examination

None.

#### Previous Report of Examination

Management Agreements – (page 5): It was recommended that the Company file the Amended and Restated Tax Sharing Agreement with the California Department of Insurance for prior approval as required by California Insurance Code (CIC) Section 1215.5(b)(4). It was also recommended that the Company disclose the Amended and Restated Tax Sharing Agreement as required by CIC section 1215.4(b)(3)(H). The Company is now in compliance.

Corporate Records - (page 7): It was recommended that the Company provide updated and accurate information in the Annual Information Statement filings. This was a repeat finding from the prior examination. The Company is now in compliance.

## ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

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Jack Lee, CFE  
Examiner-In-Charge  
Senior Insurance Examiner  
Department of Insurance  
State of California

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Kyo Chu, CFE  
Senior Insurance Examiner, Supervisor  
Department of Insurance  
State of California