

REPORT OF EXAMINATION  
OF THE  
KAISER PERMANENTE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2024

*Commissioners Signature*

A handwritten signature in blue ink, appearing to be "D. DeFina", written over a horizontal line.

Filed on June 26, 2026

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Los Angeles, California  
June 15, 2026

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

**KAISER PERMANENTE INSURANCE COMPANY**

(hereinafter also referred to as the Company). The Company's statutory home office is located at One Kaiser Plaza, 22<sup>nd</sup> Floor, Oakland, California 94612.

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2021. This examination covered the period from January 1, 2022 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 an insurer'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 was

identified, the impact of such adjustment would 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 might 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.

This was a coordinated examination with Oregon as the lead state of the Kaiser Foundation Group. California, Colorado, Maryland, and Washington participated in this coordinated examination. The exam was conducted concurrently with other insurance entities in the Kaiser Foundation Group holding company system, including:

- Kaiser Foundation Health Plan of the Northwest (Oregon)
- Kaiser Foundation Health Plan of Colorado (Colorado)
- Kaiser Foundation Health Plan of Mid-Atlantic States (Maryland)
- Kaiser Foundation Health Plan of Washington (Washington)
- Kaiser Foundation Health Plan of Washington Options, Inc. (Washington)

## COMPANY HISTORY

The Company was incorporated on March 22, 1994, under the laws of the state of California.

### Capitalization

The Company is authorized to issue 1,200 shares of common stock with a par value of \$50 per share and 100,000 shares of preferred stock with a par value of \$80 per share. The Company's common stock has voting rights but is not eligible to receive dividends. The Company's voting stock is owned 50% by its parent, Kaiser Foundation Health Plan, Inc. (KFHP), a California non-profit public benefit corporation, and 50% in the aggregate by the following Permanente Medical Groups: The Permanente Medical Group, Inc.; Southern California Permanente Medical Group; Hawaii Permanente Medical

Group, Inc.; Colorado Permanente Medical Group, P.C.; Mid-Atlantic States Permanente Medical Group, P.C.; Northwest Permanente, P.C.; and The Southeast Permanente Medical Group, Inc.

As of December 31, 2024, there were 960 shares of common stock and 50,000 shares of preferred stock issued and outstanding. KFHP owns 100% of the issued and outstanding preferred stock of the Company. The Company's preferred stock has no voting rights and is entitled to cumulative dividends at annual rates to be determined by the Board of Directors, not to exceed 5% annually. There were no dividends declared, approved, or distributed to shareholders during the examination period.

### MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company. The Company is owned 50% by the Kaiser Foundation Health Plan, Inc. and 50% in the aggregate by the Permanente Medical Groups. The following abridged organizational chart depicts the interrelationship of the Company within the holding company system at December 31, 2024:

- Kaiser Foundation Health Plan, Inc. (California)
  - Kaiser Foundation Health Plan of the Northwest (Oregon)
  - Kaiser Foundation Health Plan of Georgia (Georgia)
  - Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Maryland)
  - Kaiser Foundation Health Plan of Colorado (Colorado)
  - Kaiser Foundation Health Plan of Nevada, Inc. (Nevada)
  - KP Cal, LLC (California)
  - KFHPW Holdings
    - Kaiser Foundation Health Plan of Washington (Washington)
    - Kaiser Foundation Health Plan of Washington Options, Inc. (Washington)
  - Permanente Advantage, LLC (Pennsylvania)
  - Kaiser Permanente Insurance Company (California) [50%] ownership**

Permanente Medical Groups (Multiple States)\*  
**Kaiser Permanente Insurance Company (California), [50%\*] ownership**

\*Permanente Medical Groups' 50% ownership of the Company consisting of:

- The Permanente Medical Group, Inc. (15%)
- Southern California Permanente Medical Group (15%)
- Northwest Permanente, P.C. (4%)
- The Southeast Permanente Medical Group, Inc. (4%)
- Hawaii Permanente Medical Group, Inc. (4%)
- Colorado Permanente Medical Group, P.C. (4%)
- Mid-Atlantic Permanente Medical Group, P.C. (4%)

The six members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2024:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Charles P. Bevilacqua Poway, California	Senior Vice President Kaiser Foundation Health Plan, Inc.
Nolan C. Chang, M.D. Chino, California	Medical Director Southern California Permanente Medical Group
Thomas A. Curtin Jr. Fort Myers, Florida	Senior Vice President Kaiser Foundation Health Plan, Inc.
Sarah E. MacDonald San Francisco, California	Vice President The Permanente Federation, LLC
James H. Simpson Atlanta, Georgia	Senior Vice President Enterprise Projects
Patricia T. West Martinez, California	Chief Financial Officer The Permanente Medical Group, Inc.

## Principal Officers

<u>Name</u>	<u>Position</u>
Charles P. Bevilacqua	President and Chief Operating Officer
Steven G. Cobb	Interim Chief Financial Officer
Daniel E. McDermott	Controller
Thomas R. Meier	Senior Vice President and Treasurer
Vanessa M. Benavides	Senior Vice President and Secretary
Nancy L. Maenner	Director of Operations

## Intercompany Agreements

Administrative and Management Services Agreement: The Company and its parent, Kaiser Foundation Health Plan, Inc. (KFHP), entered into an Administrative and Management Services Agreement (Agreement) on November 30, 1994. Pursuant to the Agreement, KFHP provides various services to the Company, including actuarial, accounting, marketing, investment, administrative, financial, legal, data processing, computer programming, human resources, and other management services. Services rendered under the Agreement are paid at cost and shall be settled within 30 days, but no later than 90 days. Balances not settled within 90 days will incur simple interest, equal to the Federal Reserve Commercial Lending Rate plus one percent. Effective March 9, 2023, the Eighth Amendment was made to include pharmacy services, pharmacy specialty services, and Medicare and Medicare Advantage program services. Effective February 1, 2024, the Ninth Amendment was made to include compensation for Medicare services with respect to KPIC's Medicare Part D employer group waiver plan products. Pursuant to California Insurance Code (CIC) Section 1215.5(b)(4), the Eighth and Ninth Amendments were approved by the California Department of Insurance (CDI) on March 9, 2023 and April 17, 2024, respectively. The total fees incurred by the Company for services under this Agreement in 2022, 2023, and 2024 were \$7,982,437, \$7,647,835, and \$7,317,610, respectively.

Joint Administration Agreements: The Company and its parent, KFHP, entered into a Joint Administration Agreement (Agreement) on February 3, 1995. The Agreement, which includes the Northern California region, pairs KFHP's prepaid healthcare programs

with the Company's indemnity products for the purposes of joint marketing and administration. KFHP's Southern California region and Hawaii were added to the Agreement, effective August 1, 1996, and January 1, 1996, respectively. Pursuant to the Agreement, both companies' health benefit programs are combined to create various health care products. KFHP agrees to provide the following services to the Company: marketing, advertising, enrollment, underwriting, pricing, billing, utilization management, collections, and claims adjudication in some circumstances. Services rendered under the Agreements are paid at cost and shall be settled within 30 days, but no later than 90 days. Balances not settled within 90 days will incur interest, equal to the Federal Reserve Commercial Lending Rate plus one percent. Effective March 9, 2023, the Agreement was amended to include flow-down contract clauses for federal contractors. Pursuant to CIC Section 1215.5(b)(4), the amended agreement was approved by the CDI on March 9, 2023. No transactions were incurred during the examination period.

Self-funded Administrative Services Agreements: The Company entered into individual Self-funded Administrative Services Agreements (Agreements) with KFHP on February 19, 2008, and each of the following affiliated health plans: Kaiser Foundation Health Plan of Colorado (KFHP-CO) on July 1, 2008, Kaiser Foundation Health Plan of the Northwest (KFHP-NW) on July 1, 2008; Kaiser Foundation Health Plan of Georgia, Inc. (KFHP-GA) on July 30, 2008; Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP-MAS) on August 21, 2012; and Kaiser Foundation Health Plan of Washington (KFHP-WA) and Kaiser Foundation Health Plan of Washington Options, Inc. (KFHP-WAO) on January 1, 2023. Under the terms of the Agreements, the Company is to administer the self-funded health benefit plans for KFHP, utilizing respective health plan's administrative services. These administrative services mainly include integrated medical management, sales and marketing, network management services, and customer services. Services rendered under the Agreements are paid at cost. Fees paid for services provided shall be settled within 30 days after each calendar month. Balances not settled within 30 days will incur simple interest, equal to the Federal Reserve Commercial Lending Rate plus one percent. The total fees incurred by the Company in 2022, 2023, and 2024 for services under these Agreements were \$242,955,158,

\$244,847,762, \$279,614,877, respectively.

During the review, it was noted that the Company was only granted an exemption from prior filing requirement for the Agreement with KFHP pursuant to CIC Section 1215.5(i). The Agreements with KFHP-CO, KFHP-NW, KFHP-GA, KFHP-MAS, KFHP-WA and KFHP-WAO, neither received an exemption nor were filed with CDI for prior approval pursuant to CIC Section 1215.5. It is recommended the Company file Agreements with KFHP-CO, KFHP-NW, KFHP-GA, KFHP-MAS, KFHP-WA and KFHP-WAO with CDI in accordance with CIC Section 1215.5.

Amended and Restated Administrative Services Only (ASO) Services Agreement: The Company and its parent, KFHP, entered an Amended and Restated ASO Services Agreement (Agreement), effective July 1, 2009. Under the terms of the Agreement, the Company provides services related to self-funded health benefit plans covering certain employees of KFHP and its affiliates, KFHP-GA, Kaiser Foundation Hospitals, and KP OnCall, LLC. Pursuant to CIC Section 1215.5(b)(4), the Agreement was approved by the CDI on June 29, 2009. Services rendered under the Agreement are paid at cost. The total fees incurred by the Company in 2022, 2023, and 2024 for services under this Agreement were \$106,136,460, \$112,315,204, and \$132,019,086, respectively.

Service Agreement: The Company and its affiliate, Permanente Advantage, LLC (PA), entered into a Service Agreement (Agreement), effective January 1, 2010. Pursuant to the Agreement, PA provides services to the Company relating to healthcare utilization management, case management, revision of pre-certification requirements and related activities of the health insurance coverage and self-funded plans offered by the Company in the following three regions: Northern California, Southern California, and Hawaii; and to the affiliated health plans in Colorado, Georgia, and Mid-Atlantic States (Virginia, Maryland, and Washington, D.C.). Effective March 16, 2023, the Agreement was amended to include flow-down contract clauses for federal contractors. Pursuant to CIC Section 1215.5(b)(4), the amendment was approved by the CDI on March 16, 2023. Services rendered under the Agreement are paid at cost. The total fees incurred by the Company in 2022, 2023, and 2024 for services under this Agreement were \$3,861,923,

\$3,140,234, and \$4,054,282, respectively.

Joint Marketing and Administration Agreements: The Company and KFHP-CO entered into a Joint Marketing and Administration Agreement (Agreement), effective October 31, 2010. The Agreement pairs KFHP-CO's prepaid health care programs with the Company's indemnity products for purposes of joint marketing and administration. Pursuant to the Agreement, KFHP-CO will provide certain administrative services related to the indemnity products of the Company that are offered in Colorado. These administrative services include, but are not limited to product development, rating and underwriting, sales and marketing, claims adjudication, member services, utilization management, and premium billing and collection. This Agreement was approved by the CDI on October 27, 2010. In addition, the Company entered into Joint Marketing and Administrative Services Agreements separately with KFHP-GA, effective February 1, 2011; KFHP-MAS, effective March 14, 2012; and KFHP, covering its Northern California, Southern California, and Hawaii regions, effective October 25, 2017. Services rendered under the Agreements are paid at cost. Effective February 1, 2024, the Agreements were amended to include pharmacy services, pharmacy specialty services, Medicare services and Medicare Advantage program services, compensation for Medicare services with respect to KPIC's Medicare Part D employer group waiver plan products, and flow-down contract clauses for federal contractors. Pursuant to CIC Section 1215.5(b)(4), the CDI issued non-objection letters on April 18, 2024, April 22, 2024, and October 2, 2024, for KFHP-CO and KFHP-MAS, KFHP-GA, and KFHP-CO, respectively. The total fees incurred by the Company in 2022, 2023, and 2024 for services under these Agreements were \$13,429,886, \$15,691,833, and \$16,778,356, respectively.

Inter-Entity Agreement: Effective January 20, 2019, the Company entered into an Inter-Entity Agreement among KFHP, KFHP-CO, KFHP-GA, KFHP-MAS, KFHP-NW, KFHP-WA, and KFHP-WAO. Under this Agreement, each entity can perform or delegate to one of the eight entities, as Lead Participating Issuer, the duties and responsibilities regarding the administration of the Risk Sharing Arrangement which the eight entities will enter into with its large group health plan customers (Group). The duties and responsibilities performed under the Agreement include the following: calculation of actual medical and

administrative expenses incurred for the health care coverage plan; reconciliation of entity earned premiums, determination of reconciliation amounts owed to or by Group; communicating the results with Group; calculation of each entity's share of any reconciliation amount owed to or by Group; and settlement of reconciliation between entity and Group. There is no fee charged for the services provided under the Agreement. However, the reconciliation performed by the Lead Participating Issuer may result in surplus or deficit depending on where the amount of reconciliation falls in relation to the risk corridor. Pursuant to the CIC Section 1215.5(b)(4), the CDI approved this Agreement on January 6, 2020. No transactions were incurred during the examination period.

Risk Sharing Agreement: Effective October 5, 2020, the Company entered a Risk Sharing Agreement (Agreement) for Dual Choice Preferred Provider Organization (PPO) with KFHP-GA. The Company offers the Dual Choice PPO in Georgia to employer customers along with KFHP-GA's HMO product, Paired HMO, to attract new group customers and to retain existing customers who are interested in purchasing fully insured health care coverage in Georgia. To adjust the actual risk population of the Dual Choice PPO and the Paired HMO products, under the term of the Agreement, the Company and KFHP-GA will share and balance the financial benefit of better-than-expected utilization/claims cost to obtain protection against worse-than-expected utilization/claims cost. Calculations will be performed no later than six months after the end of the experience period to adjust the risk between the Dual Choice PPO and the Paired HMO products and determine premium, risk scores, and final premium transfer. Both parties' actuaries will work together to determine the Risk Adjustment Methodology, which provides the calculation of premium and payment based on risk-scores results comparing with actual claims experience. Any and all Final Risk Premium Transfer amounts owed will be made within 30 days after the final calculation is distributed to both parties. Simple interest will be payable on balances that are more than 30 days past due at the Federal Reserve Commercial Lending Rate plus one percent. Pursuant to CIC Section 1215.5(b)(4), the CDI issued a non-objection letter on October 5, 2020. The total premium transfer amount by the Company in 2022, 2023, and 2024 were \$6,483,815, \$613,691, and \$9,856,623, respectively.

Risk Adjustment Agreement: Effective January 1, 2022, the Company entered into a Risk Adjustment Agreement (Agreement) with KFHP. The Company and KFHP cooperate with each other to attract new group customers and to retain existing customers who are interested in purchasing fully insured health care coverage. The Company's products are offered and sold in California to employers along with KFHP's HMO products. In addition, it sells PPO products and Out of Area Indemnity in California at KFHP's request to be marketed and sold in conjunction with KFHP's HMO products. The Company and KFHP share and balance the financial benefit of better-than-expected utilization/claims cost in order to obtain protection against worse-than-expected utilization/claims cost. Together both parties' actuaries will determine any transfer premium, if any, pursuant to the risk sharing methodology set forth in the Agreement, which provides the calculation and payment, if any, of transfer premium based on expected risk-scores results compared with actual claims experience. The Agreement is set up in a symmetrical manner, so money could be transferred in either direction based on expected risk-scores results compared with actual claims experience. Both parties benefit from the continuation of the joint offering, and both parties would be harmed if the offerings were terminated due to a selection spiral. Both parties work together to perform calculations no later than six months after the end of the experience period to determine premium, member-months, risk scores, and final premium transfers. Any and all Final Risk Premium Transfer amounts owed will be made within 30 days after the final calculation is distributed to both parties. Simple interest will be payable on balances that are more than 30 days past due at the Federal Reserve Commercial Lending Rate plus one percent. Pursuant to CIC Section 1215.5(b)(4), the CDI issued a non-objection letter on June 10, 2021. The total premium transfer amount by the Company in 2022, 2023, and 2024 were \$2,881,920, \$2,677,774, and \$2,692,102, respectively.

Risk Sharing Agreement: Effective January 1, 2024, the Company entered a Risk Sharing Agreement (Agreement) for Dual Choice PPO with KFHP-CO. The Company introduced a new PPO product, the Dual Choice PPO, in Colorado to employer customers along with KFHP-CO's HMO product, Paired HMO, to attract new group customers and to retain existing customers who are interested in purchasing fully insured health care coverage,

to grow business in Colorado. To adjust the actual risk population of the Dual Choice PPO and the Paired HMO products, under the term of the Agreement, the Company and KFHP-CO will share and balance the financial benefit of better-than-expected utilization/claims cost in order to obtain protection against worse-than-expected utilization/claims cost. Calculations will be performed no later than six months after the end of the experience period to adjust the risk between the Dual Choice PPO and the Paired HMO products and determine premium, risk scores, and final premium transfer. Both parties' actuaries will work together to determine the Risk Adjustment Methodology, which provides the calculation of premium and payment based on risk-scores results comparing with actual claims experience. Any and all Final Risk Premium Transfer amounts owed will be made within thirty days after the final calculation is distributed to both parties. Simple interest will be payable on balances that are more than 30 days due at the Federal Reserve Commercial Lending Rate plus one percent. Pursuant to CIC Section 1215.5(b)(4), the CDI issued a non-objection letter on January 9, 2024. No premium transfers occurred in 2024.

Joint Marketing and Administration Agreement: Effective February 1, 2024, the Company entered into a Joint Marketing and Administrative Services Agreement (Agreement) with KFHP-NW. The Agreement pairs KFHP-NW's prepaid health care programs with the Company's Medicare Part D Employer Group Waiver Plan (EGWP) product for purposes of joint marketing and administration. Pursuant to the Agreement, KFHP-NW will provide certain administrative services related to the Medicare Part D EGWP product of the Company that are offered in the region. These administrative services include, but are not limited to underwriting and pricing; producer's commission computation or payment; appointment and cancellation of agents; issuance of policies and endorsements; cancellation of policies; collection and handling of premiums and other funds; advertising utilization management, insured appeals and grievances, customer policyholder services, pharmacy services, specialty pharmacy services, Medicare services, and compensation for Medicare services with respect to KPIC's Medicare Part D EGWP products. Services rendered under the agreement are paid at cost. Pursuant to CIC Section 1215.5(b)(4), the CDI issued a non-objection letter on April 22, 2024. No transactions occurred in 2024.

Joint Marketing and Administration Agreement: Effective May 30, 2024, the Company entered into a Joint Marketing and Administrative Services Agreement (Agreement) with KFHP-WA and KFHP-WAO. The Agreement allows the Company to administer the Company's stop loss product to the self-funded plan sponsors in Washington. Pursuant to the Agreement, KFHP-WA and KFHP-WAO will provide certain marketing and administrative services related to the company's policies of stop loss product offered in Washington to self-funded benefit plans. Specifically, KFHP-WA and KFHP-WAO will provide underwriting and pricing services; producer's commission computation or payment; appointment and cancellation of agents; issuance and cancellation of policies as directed by KPIC; collection and handling of premiums and other funds; advertising, sales promotion and agency development; customer or policyholder services; and administer or adjudicates claims for reimbursement under KPIC's stop loss policies and other services. Services rendered under the agreement are paid at cost. Pursuant to CIC Section 1215.5(b)(4), the CDI issued a non-objection letter on June 30, 2024. No transactions were incurred in 2024.

Administrative and Provider Service Agreement: Effective September 1, 2024, the Company entered into an Administrative and Provider Services Agreement (Agreement) with KFHP, KFHP-CO, KFHP-GA, KFHP-MAS, KFHP-NW, and KFHP-WA. This Agreement allows the Company to offer its enrollees the opportunity to seek covered health care services from Kaiser Permanente employed health care providers and Kaiser Foundation Hospitals (hospitals and other facility services), while the Company's enrollees are located in Kaiser Permanente service areas. Furthermore, such services will be considered in-network services so that such enrollees will have lower cost sharing for such services. Services rendered under the Agreement are paid at cost. Pursuant to CIC Section 1215.5(b)(4), the CDI issued a non-objection letter on October 2, 2024. No transactions were incurred in 2024. Effective January 28, 2026, the Company entered into an Administrative and Provider Services Agreement (Amended Agreement) to add KFHP-WAO, Hometown Health Plan, Inc., and Hometown Health Providers Insurance Company. The Amended Agreement replaced and superseded the original Agreement.

Pursuant to CIC Section 1215.5(b)(4), the CDI approved the Amended Agreement on March 4, 2026.

Pursuant to CIC Section 1215.4, the Company is required to disclose and report affiliated agreements and transactions in the Insurance Holding Company System Annual Registration Statements (Form B). It was observed that there were several agreements that were not disclosed in the Form B for years 2022, 2023, and 2024. This is a repeat finding. It is again recommended that the Company ensure all related party agreements and transactions are properly disclosed in the Form B in accordance with CIC Section 1215.4.

#### TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, the Company was licensed to transact health insurance business in following states and the District of Columbia:

California	Colorado	Georgia	Hawaii
Kansas	Maryland	Missouri	Ohio
Oregon	South Carolina	Virginia	Washington

The Company primarily writes comprehensive (hospital and medical) and dental lines of business. Direct premiums written during 2024 totaled \$167.6 million, of which California accounted for 42.8%, Georgia 31.3%, Colorado 11.8%, Maryland 6.1%, Virginia 4.7%, Hawaii 1.9%, District of Columbia 0.9%, and Missouri 0.2%.

At December 31, 2024, the Company's largest lines of business were group indemnity health insurance and dental with direct premiums written of \$132 million and \$28.9 million, respectively.

The Company was formed to support the growth of Kaiser Foundation Health Plan, Inc. (KFHP) Health Maintenance Organization plan by providing options of indemnity products and other network providers to employer groups with members who live outside of KFHP's service area. The Company jointly markets its indemnity health and dental products alongside KFHP's prepaid health care plans to employer groups. The Company uses the same sales force employed by KFHP. The Company offers Preferred Provider

Organization (PPO) dental insurance products, Point-of-Service (POS), Out-of-Area Health (OOA), and Exclusive Provider Organization (EPO) medical products. The Company offers a Dual Choice PPO, exclusively in Georgia and Colorado along with its affiliates, Kaiser Foundation Health Plan of Georgia, Inc. and Kaiser Foundation Health Plan of Colorado, to employer groups that are interested in purchasing fully insured health care coverage.

The Company is also an administrator for KFHP's self-funded program. Each self-funded plan, through its plan sponsor, will contract with the Company to provide administrative services only for self-funded plan. The Company contracts with HealthPlan Services, Inc., formerly known as Harrington Health, a third-party administrator, to provide certain administrative services for Kaiser Permanente's self-funded program such as claims processing, eligibility information, and benefits.

## REINSURANCE

### Assumed

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

### Ceded

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

## ACCOUNTS AND RECORDS

### Annual Information Statement

The Company failed to timely file the Annual Information Statement (AIS), as required by California Insurance Code (CIC) Section 701 for all years under examination. During the examination, after being informed of this requirement, the Company subsequently filed its 2022, 2023, and 2024 AIS on June 13, 2025. It is recommended that the Company implement procedures to ensure filings its AIS in a timely manner in accordance with CIC Section 701.

### Annual Statement Instructions

Pursuant to the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions (AS Instructions) Notes to Financial Statements, Note 14, Section D - Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits shall disclose the dollar amount paid for claims related extra-contractual obligations and bad faith losses stemming from lawsuits, in the current reporting period on a direct basis. The Notes to Financial Statements, Note 14, Section D for 2022, 2023, and 2024 were not prepared in accordance with the NAIC's AS Instructions and did not disclose the potential risk and/or uncertainties related to lawsuits in the manner or format required by the NAIC. It is recommended the Company implement procedures to ensure compliance with the NAIC AS Instructions and disclose the information accurately in the proper format in the Notes to Financial Statements.

### Unclaimed Property

The examination identified stale checks that were not properly remitted to the State Controller's Office (SCO) in accordance with the California Code of Civil Procedure Part 3, Title 10, Chapter 7, Article 3, Section 1513 (California Unclaimed Property Law). It is recommended that the Company implement procedures to ensure that unclaimed property, older than three years, is remitted timely to the California SCO in accordance with the California Unclaimed Property Law.

## FINANCIAL STATEMENTS

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

Statement of Financial Condition as of December 31, 2024

Statement of Revenue and Expenses for the Year Ended December 31, 2024

Reconciliation of Capital and Surplus from December 31, 2021 through  
December 31, 2024

Statement of Financial Condition  
as of December 31, 2024

<u>Assets</u>	Ledger and Nonledger <u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 144,197,956	\$	\$ 144,197,956	
Common Stock	14,792,566		14,792,566	
Cash, cash equivalents, and short-term investments	37,153,403		37,153,403	
Receivables for securities	17,948,262		17,948,262	
Investment income due and accrued	1,140,354		1,140,354	
Uncollected premiums and agents' balances in the course of collection	11,824,888	44,400	11,780,488	
Accrued retrospective premiums and contracts subject to redetermination	10,283,592		10,283,592	
Amounts receivable relating to uninsured plans	19,297,405	41,670	19,255,735	
Current federal and foreign income tax recoverable and interest thereon	9,088,187		9,088,187	
Net deferred tax asset	212,361		212,361	
Health care and other amounts receivable	178,288		178,288	
Aggregate write-ins for other than invested assets	<u>596,748</u>	<u>359,035</u>	<u>237,713</u>	
Total assets	<u>\$ 266,714,010</u>	<u>\$ 445,105</u>	<u>\$ 266,268,905</u>	

Liabilities, Surplus and Other Funds

Notes

Claims unpaid		\$ 15,780,289	(1)
Unpaid claims adjustment expense		1,818,217	(1)
Aggregate health policy reserves		3,940,357	
Premiums received in advance		14,978	
General expenses due or accrued		7,005,146	
Amounts withheld or retained for the account of others		41,105	
Remittances and items not allocated		26,265	
Amounts due to parent, subsidiaries and affiliates		34,778,554	
Payable for securities		17,528,302	
Liability for amounts held under uninsured plans		43,057,832	
Aggregate write-ins for liabilities		<u>1,458,127</u>	
Total liabilities		125,449,172	
Common capital stock	\$ 48,000		
Preferred capital stock	4,000,000		
Gross paid-in and contributed surplus	16,000,000		
Unassigned funds (surplus)	<u>120,771,733</u>		
Total capital and surplus		<u>140,819,733</u>	
Total liabilities, surplus, and other funds		<u>\$ 266,268,905</u>	

Statement of Revenue and Expenses  
for the Year Ended December 31, 2024

State of Income

Underwriting Income

Notes

Net premiums income	\$	167,587,902	
Deductions:			
Hospital/medical benefits	\$	72,809,515	
Other professional services		10,729,038	
Emergency room and out-of-area		7,308,559	
Prescription drugs		22,383,566	
Incentive pool withhold adjustments and bonus amounts		695,492	
Claims adjustment expense		11,045,931	
General administrative expenses		<u>11,135,594</u>	
Total underwriting deductions		<u>136,107,695</u>	
Net underwriting gain		31,480,207	

Investment Income

Net investment income earned	\$	8,139,005	
Net realized capital losses		<u>1,007,477</u>	
Net investment gain		9,146,482	

Other Income

Aggregate write-ins for miscellaneous income	<u>(40,286,000)</u>	(2)
Total other income		<u>(40,286,000)</u>
Net income after capital gains tax and before all other federal and foreign income taxes		340,689
Federal and foreign income taxes incurred		<u>(803,877)</u>
Net income		<u>\$ 1,144,566</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2023	\$	137,946,285
Net income	\$	1,144,566
Change in net realized capital gains less capital gains tax		2,244,429
Change in net deferred income tax		(931,137)
Change in nonadmitted assets		<u>415,590</u>
Change in surplus as regards policyholders for the year		<u>2,873,448</u>
Surplus as regards policyholders, December 31, 2024	\$	<u>140,819,733</u>

Reconciliation of Capital and Surplus  
from December 31, 2021 through December 31, 2024

Capital and surplus, December 31, 2021			\$ 131,206,543
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$ 5,097,622	\$	
Change in net unrealized capital gains	4,703,691		
Change in net deferred income tax	164,366		
Change in nonadmitted assets		352,489	
Total gains and losses	<u>\$ 9,965,679</u>	<u>\$ 352,489</u>	
Net increase in capital and surplus			<u>9,613,190</u>
Capital and surplus, December 31, 2024			<u>\$ 140,819,733</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Claims Unpaid and Unpaid Claim Adjustment Expenses

Risk & Regulatory Consulting, LLC (RRC) was engaged by the Oregon Department of Consumer & Business Services to perform an actuarial review in conjunction with the risk-focused financial examination of Kaiser Foundation Health Group, which included all insurance entities under the group as of December 31, 2024. Based on an analysis performed by RRC, and Life and Health Actuary from California Department of Insurance, the Company's claims unpaid and unpaid claims adjustment expense reserves as of December 31, 2024, were found to be reasonably stated and have been accepted for the purpose of this examination.

### (2) Aggregate Write-ins for Other Expenses

The Company discovered payments made for illegitimate medical claims in February 2025. On June 3, 2025, the Company filed an amended 2024 Annual Statement to reflect the reclassification of premiums, claims, and broker commissions associated with the illegitimate activities. As a result of the reclassification, aggregate write-ins for other expenses, totaling \$(40,286,000) was reported as of December 31, 2024, to reflect the net payments made by the Company that were identified as illegitimate medical claims.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

Management and Control – Intercompany Agreements (Page 5): It is again recommended that the Company ensure all related party agreements and transactions are properly disclosed in the Insurance Holding Company System Annual Registration Statements in accordance with California Insurance Code (CIC) Section 1215.4. This is a repeat finding.

Management and Control – Self-Funded Administrative Service Agreements (Page 5): It is recommended the Company file Self-Funded Administrative Service Agreements with Kaiser Foundation Health Plan of Colorado, Kaiser Foundation Health Plan of the

Northwest, Kaiser Foundation Health Plan of Georgia, Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc., Kaiser Foundation Health Plan of Washington and Kaiser Foundation Health Plan of Washington Options, Inc with California Department of Insurance in accordance with CIC Section 1215.5.

Accounts and Records – Annual Information Statement (Page 14): It is recommended that the Company implement procedures to ensure that it files its Annual Information Statement in a timely manner in accordance with CIC Section 701.

Accounts and Records – Annual Statement Instructions (Page 14): It is recommended the company implement procedures to ensure compliance with the National Association of Insurance Commissioners Annual Statement Instructions and disclose the information accurately in the proper format in the Notes to Financial Statements.

Accounts and Records – Unclaimed Property (Page 14): It is recommended that the Company implement procedures to ensure that unclaimed property, older than three years, is remitted timely to the California State Controller's Office in accordance with the California Code of Civil Procedure Part 3, Title 10, Chapter 7, Article 3, Section 1513.

#### Previous Report of Examination

Management and Control – Management Agreements (Page 5): It was recommended that the Company ensure all related party agreements and transactions are properly disclose in the Insurance Holding Company System Annual Registration Statements in accordance with CIC Section 1215.4. The Company did not comply with this recommendation.

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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Clarence Williams  
Examiner-In-Charge  
Associate Insurance Examiner  
Department of Insurance  
State of California

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Department of Insurance  
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