

1 CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION – ENFORCEMENT BUREAU

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7
8 **BEFORE THE INSURANCE COMMISSIONER**
9 **OF THE STATE OF CALIFORNIA**
10 **SAN FRANCISCO**

11
12 In the Matter of the Certificate of Authority
13 of:

CDI File No. OSC-2007-00067

OAH No.: 2008020772

STIPULATION AND WAIVER

14
15 BLUE SHIELD OF CALIFORNIA LIFE &
HEALTH INSURANCE COMPANY,
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18 Respondent.

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24 Respondent, BLUE SHIELD OF CALIFORNIA LIFE & HEALTH INSURANCE
25 COMPANY (“BLUE SHIELD LIFE”) and the California Department of Insurance
26 (“Department”), stipulate as set forth herein:
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1 1. Respondent, BLUE SHIELD LIFE, holds a Certificate of Authority to
2 transact the business of life and disability insurance in the State of California, pursuant to §700 et
3 seq. of the California Insurance Code;¹ and,

4 2. Respondent, BLUE SHIELD LIFE, is a California corporation and a
5 wholly-owned subsidiary of Blue Shield of California.
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7 3. On or about August 2005, the Department commenced a Market Conduct
8 examination of BLUE SHIELD LIFE'S claims practices and procedures in California during the
9 period of June 1, 2004 through May 31, 2005. The examination reviewed claims files and related
10 records involving Group and Individual Preferred Provider Organization products, Individual
11 Short-Term Health products, and Group and Individual life insurance products, and examined
12 guidelines, policies and procedures, training plans and forms adopted by BLUE SHIELD LIFE
13 for use in California to determine whether BLUE SHIELD LIFE'S denial of claims and claims
14 handling practices conformed to contractual obligations and applicable law; and,
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16 4. The Department also conducted a targeted Market Conduct examination
17 focusing on BLUE SHIELD LIFE'S rescission practices during the same twelve-month period
18 from June 1, 2004 through May 31, 2005. The examination reviewed underwriting and rescission
19 files and related records involving Individual and Family Plan health insurance products to
20 determine whether BLUE SHIELD LIFE'S rescission practices and related claims settlement
21 practices conformed to contractual obligations and applicable law; and,
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23 5. The Department issued a Public Report of the Market Conduct
24 Examination As of May 31, 2005 that identified instances in which the Department alleged that
25 BLUE SHIELD LIFE did not comply with California Insurance Code §790.03 and the Fair
26 Claims Settlement Practices Regulations contained in Title 10, Chapter 5, Subchapter 7.5 of the
27 California Code of Regulations, commencing with §2695.1; and,
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¹ Unless otherwise stated, all references are to the California Insurance Code.
Stipulation and Waiver.

1 6. The Department also issued a Report of the Market Conduct Examination
2 As of May 31, 2005 that identified instances in which the Department alleged that BLUE
3 SHIELD LIFE did not comply with provisions of the Insurance Code other than §790.03 and the
4 Fair Claims Settlement Practices Regulations; and,

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6 7. In July 2008, the Department's Field Claims Bureau commenced a targeted
7 examination, pursuant to California Insurance Code §735.5, of BLUE SHIELD LIFE'S
8 underwriting and rescission practices and related claims settlement practices during the period
9 from June 1, 2005 through May 31, 2008 involving Short-Term Health and Individual and Family
10 Plan Preferred Provider Organization health insurance products written in California. The
11 examination included a review of a sample of rescission files and related supporting records,
12 guidelines, policies and procedures, training manuals and forms adopted by BLUE SHIELD LIFE
13 for use in California to determine BLUE SHIELD LIFE'S conformance with contractual
14 obligations and applicable law.
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16 8. Based on a preliminary and limited review of a sample of rescission files
17 and related records, the Department identified instances in which the Department alleged that
18 BLUE SHIELD LIFE did not comply with provisions of the California Insurance Code and
19 applicable law in BLUE SHIELD LIFE'S rescission practices and related claims settlement
20 practices from June 1, 2005 through May 31, 2008; and,
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22 9. On or about December 11, 2007, the Department caused to be served upon
23 BLUE SHIELD LIFE an Order to Show Cause, Accusation, Notice of Noncompliance, and
24 Demand for Monetary Penalty ("Accusation") "In the Matter of the Certificate of Authority of:
25 BLUE SHIELD OF CALIFORNIA LIFE & HEALTH INSURANCE COMPANY, Respondent,"
26 File No. OSC-2007-00067. Subsequently, on or about August 27, 2008, the Department served
27 upon BLUE SHIELD LIFE a First Amended Accusation and, on or about October 2, 2008, served
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1 a Second Amended Accusation (collectively "Accusation"), collectively incorporated herein by
2 reference. Said Accusation alleged, inter alia, that BLUE SHIELD LIFE engaged in acts or
3 practices in violation of California Insurance Code §§790.03, 790.06, 700(c), 704(b), 796.04,
4 10113, 10123.13, 10123.131, 10169, 10380, 10381.5, 10384, and the Fair Claims Settlement
5 Practices Regulations contained in title 10, California Code of Regulations, §§2695.1 et seq.; and,
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7 10. BLUE SHIELD LIFE expressly denies all of the allegations set forth in the
8 preceding paragraphs and denies any liability, violation, wrongdoing or improper conduct; and,

9 11. BLUE SHIELD LIFE and the Department, in order to avoid the expense,
10 uncertainty and distractions of litigation, and without BLUE SHIELD LIFE admitting the
11 allegations set forth herein and in the Accusation referenced herein, have undertaken discussions
12 to resolve the issues in this proceeding and now wish to resolve those issues without the need for
13 a hearing or further administrative action. Therefore, by this Stipulation and Waiver, BLUE
14 SHIELD LIFE waives any and all rights to a hearing in this matter, and any and all other rights
15 related to this proceeding which may be accorded pursuant to Chapter 5, Part 1, Division 3, Title
16 2 (commencing with §11500) of the California Government Code, and by the California
17 Insurance Code; and,
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19 12. This Stipulation and Waiver does not constitute an admission of liability,
20 violation, wrongdoing, or improper conduct by BLUE SHIELD LIFE; and,

21 13. Without admitting wrongdoing or improper conduct, BLUE SHIELD LIFE
22 agrees to and shall cease and desist from engaging in any acts or practices in the business of life
23 and disability insurance in violation of California Insurance Code §§790.03, 790.06, 700(c),
24 704(b), 796.04, 10113, 10123.13, 10123.131, 10169, 10380, 10381.5, 10384 and title 10,
25 California Code of Regulations, §§2695.1 et seq.; and,
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1 14. BLUE SHIELD LIFE agrees to and shall offer, on a voluntary basis, to
2 each FORMER INSURED, as defined below, an offer of health insurance coverage going
3 forward on a guaranteed issue basis ("New Coverage Offer"). That coverage shall be subject to
4 the following terms, conditions, and restrictions:

- 5 (a) The New Coverage Offer will not require medical underwriting.
- 6 (b) The New Coverage Offer will waive exclusions for pre-existing conditions.
- 7 (c) With respect to a FORMER INSURED who had an IFP policy, the New
8 Coverage Offer will be for coverage that is most comparable to the FORMER
9 INSURED'S rescinded policy based on policies currently being offered to the
10 general public by BLUE SHIELD LIFE.
- 11 (d) With respect to a FORMER INSURED who had a STH policy, the New
12 Coverage Offer will be for short term health coverage substantially on the terms of
13 whichever of the following products most closely matches the annual deductible
14 amount of the FORMER INSURED'S rescinded STH policy: Blue Shield Life
15 Balance PPO Plan 1000, Shield Spectrum PPO Plan 1500, Shield Spectrum PPO
16 Plan 2000, and Essential PPO Plan 3000 product, except that the policy will not be
17 renewable and will be offered for a defined term equivalent to the term of each
18 FORMER INSURED'S rescinded STH policy.
- 19 (e) The New Coverage Offer will not include FORMER INSUREDS who
20 have already been reinstated or have current coverage with BLUE SHIELD LIFE
21 or Blue Shield of California.
- 22 (f) The New Coverage Offer will not include individuals who (i) filed a
23 lawsuit asserting claims arising out of the rescission of the individuals' health
24 insurance policy, which have been subject to a ruling on their merits by a court, or
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1 (ii) have entered into or are otherwise bound by a settlement with BLUE SHIELD
2 LIFE regarding claims arising from rescission of the FORMER INSURED'S
3 health insurance policy.

4 (g) The New Coverage Offer will be open for a ninety (90) day period from
5 the confirmed date of delivery of the notice provided by BLUE SHIELD LIFE of
6 the New Coverage Offer, referred to in paragraph 18 herein.

7 (h) Notwithstanding subsection (g) above, the New Coverage Offer will be
8 open to FORMER INSUREDS who were not contacted by BLUE SHIELD LIFE
9 despite commercially reasonable search efforts, as set forth in paragraph 18 herein,
10 if acceptance of the offer by a FORMER INSURED is received by BLUE
11 SHIELD LIFE on or before July 1, 2009.

12 (i) The New Coverage Offer, and continuation of such coverage, is
13 conditioned on each FORMER INSURED meeting all non medical underwriting
14 eligibility requirements including, by way of example and not limitation, residence
15 in California, cancellation of any other current coverage (if applicable), age limits
16 for insureds and dependents, and payment of the applicable premiums going
17 forward.

18 (j) The effective date of health coverage under the New Coverage Offer will
19 be the first day of the month following BLUE SHIELD LIFE'S receipt of a
20 FORMER INSURED'S first month premium.

21 (k) BLUE SHIELD LIFE will not require FORMER INSUREDS who accept
22 the New Coverage Offer to execute a release of claims against BLUE SHIELD
23 LIFE as a condition of acceptance; and,
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1 15. “FORMER INSURED,” for purposes of this Stipulation and Waiver, is
2 defined as a subscriber formerly insured with BLUE SHIELD LIFE under an Individual and
3 Family Plan health insurance policy (“IFP”) or Short Term Health insurance policy (“STH”)
4 written in California that was rescinded between January 1, 2004 and May 31, 2008, except
5 individuals who (i) filed a lawsuit asserting claims arising out of the rescission of the individual’s
6 health insurance policy, which have been subject to a ruling on their merits by a court, or (ii) have
7 entered into or are otherwise bound by a settlement with BLUE SHIELD LIFE regarding claims
8 arising from rescission of the FORMER INSURED’S health insurance policy.
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10 16. Subject to the conditions and limitations set forth in this paragraph, BLUE
11 SHIELD LIFE agrees to and shall offer, on a voluntary basis, to reimburse each FORMER
12 INSURED for, or hold each FORMER INSURED harmless from, only those medical expenses
13 described herein.
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15 (a) Reimbursable medical expenses (“Reimbursable Expenses”) under this
16 Stipulation and Waiver shall be limited to paid out-of-pocket medical expenses
17 and medical expenses that were incurred and are owed but not yet paid by the
18 FORMER INSURED, for medically necessary medical services that (1) were
19 provided to the FORMER INSURED during the periods specified in subsection
20 (b) below, and (2) would have been covered under the terms of the FORMER
21 INSURED’S rescinded BLUE SHIELD LIFE health insurance policy, and (3)
22 have not been covered or reimbursed by any third party payer entity, health care
23 service plan, insurance contract (including, but not limited to, any applicable
24 disability, workers’ compensation, group, individual, or employer self-insurance
25 coverage), or from the proceeds of any judgment or settlement, and (4) have not
26 been waived, released, discharged, barred, settled or otherwise no longer
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1 collectible by the medical provider at issue (including the medical provider's
2 agents and assigns). Reimbursable Expenses do not include any applicable co-
3 payments, coinsurance, deductible amounts, or any other expense that would have
4 been the responsibility of the FORMER INSURED under the terms of the
5 rescinded policy.

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7 (b) With respect to FORMER INSUREDS who had IFP policies, BLUE
8 SHIELD LIFE agrees to pay Reimbursable Expenses for the Rescinded Coverage
9 Period (which runs from the effective date of the original rescinded health
10 insurance policy to the date upon which the rescission of that policy was effective)
11 and the Gap Period (which runs from the end of the FORMER INSURED'S
12 Rescinded Coverage Period through the confirmed date of delivery of the notice to
13 the address identified through commercially reasonable efforts pursuant to
14 paragraph 18 herein.

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16 (c) With respect to FORMER INSUREDS who had STH policies, BLUE
17 SHIELD LIFE agrees to pay Reimbursable Expenses for the Policy Coverage
18 Period (which runs from the effective date of the original rescinded health
19 insurance policy to the date that the original policy would have expired had it not
20 been rescinded). To the extent a FORMER INSURED who had a STH policy can
21 demonstrate that he or she was required to pay additional amounts for medical
22 expenses due to the assertion by a subsequent insurer of a pre-existing condition
23 exclusion, and those additional amounts would have been payable by the
24 FORMER INSURED'S subsequent insurer had the BLUE SHIELD LIFE Short
25 Term Health policy not been rescinded, BLUE SHIELD LIFE agrees to
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1 compensate the FORMER INSURED for any such amounts that would have been
2 paid by the subsequent insurer.

3 (d) BLUE SHIELD LIFE may fully satisfy its obligation to reimburse a
4 FORMER INSURED for those unpaid medical expenses described herein by
5 holding the FORMER INSURED harmless from such medical expenses, and
6 references herein to reimbursement of medical expenses shall be interpreted to
7 include the option by BLUE SHIELD LIFE to hold the FORMER INSURED
8 harmless from such medical expenses.

9 (e) Except as provided in paragraph 14(h), this offer of reimbursement of
10 medical expenses shall remain open for ninety (90) days from the confirmed date
11 of delivery of the notice of this offer as set forth in paragraph 18 herein.

12 (f) This offer of reimbursement of medical expenses is an option that is in
13 addition to, and separate from, BLUE SHIELD LIFE'S New Coverage Offer as
14 described in paragraph 14 above. BLUE SHIELD LIFE will not require a
15 FORMER INSURED to accept the New Coverage Offer in order to accept the
16 offer of reimbursement of medical expenses, or vice versa.

17 (g) Any claim for Reimbursable Expenses shall be subject to reasonable
18 documentation requirements.

19 (h) This offer to pay Reimbursable Expenses is conditioned upon a settlement
20 and full release by the FORMER INSURED of all disputes and claims arising
21 from the rescission of the FORMER INSURED'S BLUE SHIELD LIFE health
22 insurance policy.

23 (i) In the event a FORMER INSURED submits a request for reimbursement
24 of medical expenses, BLUE SHIELD LIFE will either make a written offer to
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1 reimburse all applicable medical expenses within sixty (60) days of receiving a
2 written claim for all applicable medical expenses from a FORMER INSURED that
3 includes reasonable documentation supporting the claim, such as invoices and
4 cancelled checks, or dispute the claim on the basis of (1) medical necessity, (2) the
5 scope of coverage, and/or (3) the amount of the claim. BLUE SHIELD LIFE
6 agrees not to assert the validity of the rescission as a defense.
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8 (j) BLUE SHIELD LIFE may require authorization from FORMER
9 INSUREDS for the release of medical records and bills, as well as other
10 information reasonably necessary to verify the claims.
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12 (k) If a FORMER INSURED disputes BLUE SHIELD LIFE'S determination
13 as to the amount of Reimbursable Expenses, the FORMER INSURED will have
14 various options, in his or her sole discretion, as described below:

15 (1) A FORMER INSURED may decline to follow any process set forth
16 in this Stipulation and Waiver and may pursue any legal remedy for any and all
17 claims, in which event BLUE SHIELD LIFE retains the right to assert any and all
18 defenses to any claim, including but not limited to, the validity of the rescission,
19 statute of limitations and whether the claim would have been covered under the
20 rescinded health insurance policy; or
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22 (2) If the dispute involves the question of medical necessity of a health
23 care service, the FORMER INSURED will have the option to refer the medical
24 necessity question to an Independent Medical Review Organization for review,
25 pursuant to California Insurance Code §§10169.2-10169.3. Any Independent
26 Medical Review shall be paid by BLUE SHIELD LIFE and shall be binding on the
27 parties; and,
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1 (3) If the dispute involves BLUE SHIELD LIFE'S determination of the
2 scope of coverage and/or the amount of Reimbursable Expenses, the FORMER
3 INSURED will have the option to resolve the dispute through an expedited
4 proceeding that shall be conducted by a JAMS arbitrator, subject to the rules
5 described herein, except that the only issues to be determined shall be the scope of
6 coverage and the appropriate amount of Reimbursable Expenses during the
7 relevant period. The proceeding shall be subject to the following rules:

8
9 (i) BLUE SHIELD LIFE shall not assert the validity of the
10 rescission as a defense; and,

11 (ii) The arbitration proceeding shall be on the basis of a written
12 record without personal appearance of any party. The record shall consist of a
13 statement by both parties, and their evidence addressing the appropriate amount of
14 medical expenses reimbursable under the terms of this Stipulation and Waiver.
15 Both parties shall have the right to submit additional written statements and
16 materials following review of the materials submitted by the other party. No
17 discovery shall be permitted, except that BLUE SHIELD LIFE may obtain the
18 FORMER INSURED'S medical records and bills, and other information
19 reasonably necessary to the determination of the dispute. The burden of proof
20 shall be on the FORMER INSURED to establish the right to reimbursement of
21 particular medical expenses; and,

22 (iii) BLUE SHIELD LIFE shall pay the cost of the arbitrator;
23 and,

24 (iv) Any award shall be limited to Reimbursable Expenses under
25 the terms of this Stipulation and Waiver, will be final and binding for both parties
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1 and conditioned upon a full and complete release of all disputes and claims arising
2 from the rescission of the FORMER INSURED'S original health insurance policy;
3 and,

4 (v) In the event that an award is based upon Reimbursable
5 Expenses owed by a FORMER INSURED that have not yet been paid to the
6 provider, the arbitration decision shall provide that BLUE SHIELD LIFE, in its
7 sole discretion, have the right to resolve any such unpaid medical expenses directly
8 with the billing provider in which event BLUE SHIELD LIFE shall hold the
9 FORMER INSURED harmless from any such unpaid medical expenses and
10 deduct the amount owed by the FORMER INSURED from the award. In the event
11 BLUE SHIELD LIFE resolves any unpaid medical expenses directly with the
12 billing provider and holds the FORMER INSURED harmless from any such
13 unpaid medical expenses, such action shall satisfy fully BLUE SHIELD LIFE'S
14 obligation under this Stipulation and Waiver to reimburse the FORMER
15 INSURED for such unpaid Reimbursable Expenses owed by the FORMER
16 INSURED to such provider; and,

17 (vi) The arbitrator shall be selected randomly by JAMS from a
18 qualified healthcare panel of arbitrators. The FORMER INSURED shall have the
19 right to reject the randomly selected arbitrator within fifteen (15) days of notice of
20 selection by JAMS. Should the FORMER INSURED reject the selected arbitrator,
21 JAMS will send a list containing five (5) arbitrators. BLUE SHIELD LIFE and
22 the FORMER INSURED each may strike up to two names and rank the remaining
23 arbitrators in order of preference. The arbitrator with the highest composite
24 ranking will be appointed. Such arbitrators shall follow the terms of the IFP or
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1 STH policy and applicable California law, including the California Insurance Code
2 and implementing regulations, and shall periodically consult with each other to
3 ensure consistency in decision-making. The arbitration shall be administered by
4 JAMS pursuant to its Comprehensive Arbitration Rules and Procedures, subject to
5 the modifications in this Stipulation and Waiver.
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7 17. BLUE SHIELD LIFE shall report to the Department, on a monthly basis,
8 beginning ninety (90) days after the date of the Order adopting this Stipulation and Waiver, the
9 following information: the name, last known address, last known telephone number (if
10 available), and policy number of each FORMER INSURED as described herein. Each monthly
11 report shall also contain a summary of the number of FORMER INSUREDS who accepted the
12 offer of New Coverage and the number of FORMER INSUREDS who did not accept the offer of
13 New Coverage; and the number of FORMER INSUREDS who accepted the offer of
14 reimbursement of Reimbursable Expenses and the total dollar amount of Reimbursable Expenses
15 subject to this Stipulation and Waiver and the date of the expected payment of such Reimbursable
16 Expenses and/or the actual date of payment of such Reimbursable Expenses; and the number of
17 FORMER INSUREDS who submitted a claim for reimbursement for medical expenses for whom
18 BLUE SHIELD LIFE disputed such claim and the reason(s) for the dispute (medical necessity
19 and/or scope of coverage and/or amount of Reimbursable Expenses); and the number of
20 FORMER INSUREDS who accepted the offer of expedited dispute resolution for Reimbursable
21 Expenses and the total dollar amount of arbitration awards as an outcome of such proceedings;
22 and,
23 and,
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25 18. BLUE SHIELD LIFE shall use its commercially reasonable efforts to
26 contact eligible FORMER INSUREDS to make the voluntary offers set forth herein, commencing
27 no later than ninety (90) days from the date of the Order adopting this Stipulation and Waiver.
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1 BLUE SHIELD LIFE shall provide a report to the Department identifying the date and method of
2 each attempt to contact eligible FORMER INSUREDS. Commercially reasonable efforts to
3 contact eligible FORMER INSUREDS shall consist of notification of the voluntary offers, the
4 content of which notice shall be satisfactory to the Department, by overnight or certified mail or
5 private delivery service with confirmation of delivery to the last known address, the use of an
6 independent search service to locate the current address of FORMER INSUREDS, and notice and
7 publication of information regarding the settlement on BLUE SHIELD LIFE'S web site; and,

9 19. BLUE SHIELD LIFE shall exercise its commercially reasonable efforts to
10 issue and send payment for reimbursement of Reimbursable Expenses to FORMER INSUREDS
11 who accept the voluntary offer described in paragraph 16 herein within thirty (30) days of the
12 date of the final resolution of the FORMER INSURED'S claim for reimbursement of
13 Reimbursable Expenses, and shall complete the offer to reimburse and payment of Reimbursable
14 Expenses as soon as is reasonably possible, and in no event later than thirty (30) days following
15 an award in the FORMER INSURED'S favor; and,

17 20. BLUE SHIELD LIFE agrees to and shall establish the following business
18 process practices:

19 (a) BLUE SHIELD LIFE agrees to and shall work with the Department to
20 establish an independent third party review process for rescissions of IFP and STH
21 policies. Within a reasonable time after reaching an agreement with the
22 Department regarding the criteria and design of the independent third party review
23 process, BLUE SHIELD LIFE agrees to implement the independent third party
24 review process and apply it to IFP and STH policy rescissions that occur on and
25 after the date of implementation. In the event that one or more statutes are enacted
26 and become effective that establish an independent review process for rescissions
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1 of individual health insurance policies by California insurers, BLUE SHIELD
2 LIFE'S obligations under this section shall cease and BLUE SHIELD LIFE shall
3 comply with such statute or statutes. Nothing in this section shall obligate BLUE
4 SHIELD LIFE to commit any action or inaction that would be contrary to
5 applicable law.

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7 (b) BLUE SHIELD LIFE agrees to and shall institute policies and procedures,
8 as soon as is reasonably possible, to require the review of at least one source of
9 information other than the application for coverage as part of its pre-enrollment
10 underwriting process prior to issuing the policy (such as reviewing BLUE
11 SHIELD LIFE'S internal claim database, pharmacy database, or other source of
12 information).

13
14 (c) BLUE SHIELD LIFE agrees to submit a corrective action proposal to the
15 Department within thirty (30) days of the date of the Order adopting this
16 Stipulation and Waiver and to work with the Department to establish appropriate
17 criteria for such corrective actions, and once the criteria are approved by the
18 Department, to timely implement such corrective actions. BLUE SHIELD LIFE
19 agrees to and shall complete implementation of such corrective actions within one
20 hundred twenty (120) days of the date the Department approves, in writing, the
21 criteria for such corrective actions. The corrective action proposal shall cover the
22 following areas:

- 23
24 (i) the application form and health history questionnaire,
25 (ii) the underwriting process,
26 (iii) the training and integration of agent/broker involvement in the
27 application and underwriting process,
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1 (iv) the appropriate notification to policyholders and providers of a
2 rescission investigation and decision,

3 (v) the claims handling process related to rescissions

4 (vi) the rescission investigation and decision-making process,

5 (vii) the rescission appeals process,

6 (viii) internal audits of the rescission process, and

7 (ix) internal audits of the claims handling process

8
9 (d) BLUE SHIELD LIFE agrees and acknowledges that the Department may
10 conduct a follow-up examination to verify that BLUE SHIELD LIFE has timely
11 and substantially complied with the terms of the corrective action proposal. If,
12 following completion of the follow up examination, the Department determines
13 that BLUE SHIELD LIFE has not timely and substantially implemented the
14 corrective actions, the Department may impose a monetary penalty proportional to
15 the identified deficiencies, up to five million dollars (\$5,000,000.00). BLUE
16 SHIELD LIFE does not waive its right to contest any such determination through
17 available administrative procedures; and,
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19 21. BLUE SHIELD LIFE agrees to and shall pay, within ten (10) business
20 days after receiving an invoice from the California Department of Insurance, Division of
21 Accounting, the amount of two hundred eighty-five thousand dollars (\$285,000.00) to the
22 Department for reimbursement of attorneys fees and costs, pursuant to California Insurance Code
23 §12921, upon written order of the Insurance Commissioner to be made and filed herein and
24 without further notice to BLUE SHIELD LIFE; and,
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26 22. This Stipulation and Waiver will settle and fully resolve the matters
27 alleged or arising out of practices identified in the Public Report of the Market Conduct
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1 Examination of the Claims Practices of Blue Shield of California Life & Health Insurance
2 Company and CareAmerica Life Insurance Company As of May 31, 2005, the Report of the
3 Market Conduct Examination of the Claims Practices of Blue Shield of California Life & Health
4 Insurance Company and CareAmerica Life Insurance Company As of May 31, 2005, and the
5 targeted examination of rescission practices of Blue Shield of California Life & Health Insurance
6 Company specified in paragraph 7 herein and any report of examination issued by the Department
7 as a result of such targeted rescission examination, the allegations in the Accusation (File No.
8 OSC-2007-00067), and any consumer complaints received for alleged acts or failures to act that
9 are identified in the foregoing reports and Accusation that occurred during the respective time
10 periods referenced within such reports and Accusation.

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12 23. BLUE SHIELD LIFE and the Department agree that this Stipulation and
13 Waiver is intended to be a complete and final resolution of the issues and allegations referenced
14 in paragraph 22 above and the Accusation and no further action will be brought against BLUE
15 SHIELD LIFE based upon the matters referenced in paragraph 22 and the allegations contained in
16 the Accusation, provided, however, that neither this Stipulation and Waiver nor the Order
17 approving this Stipulation and Waiver are in any way intended to limit or waive the
18 Commissioner's authority to bring disciplinary action against BLUE SHIELD LIFE for alleged
19 violations of California law arising from rescissions occurring after May 31, 2008 or any other
20 acts or failures to act not referred to in either paragraph 22 or the Accusation; and,
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23 24. Nothing contained in this Stipulation and Waiver or the Order approving
24 this Stipulation and Waiver shall prevent the Department from taking action at any time to
25 enforce this Stipulation and Waiver or the Order approving this Stipulation and Waiver if BLUE
26 SHIELD LIFE is not in compliance with the terms and conditions of the Stipulation and Waiver
27 and/or the Order approving this Stipulation and Waiver; and,
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1 25. The Insurance Commissioner retains jurisdiction to ensure that BLUE
2 SHIELD LIFE complies with the provisions and terms of this Stipulation and Waiver and/or
3 Order approving this Stipulation and Waiver; and,

4 26. BLUE SHIELD LIFE represents and warrants that the persons executing
5 this Stipulation and Waiver on behalf of BLUE SHIELD LIFE are authorized to enter into and
6 execute this Stipulation and Waiver; and,

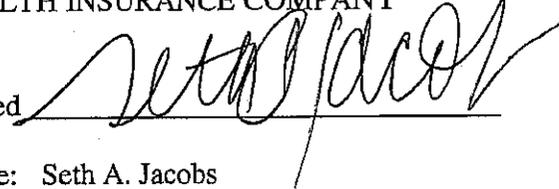
7 27. BLUE SHIELD LIFE acknowledges that California Insurance Code
8 §12921 requires the Insurance Commissioner to approve the final settlement of this matter. Both
9 the settlement terms and conditions contained herein and the acceptance of those terms and
10 conditions are contingent upon the Commissioner's approval, which shall be evidenced and
11 memorialized by the issuance of the Order provided for herein.
12

13 28. This Stipulation and Waiver is a compromise within the meaning of
14 California Evidence Code §§1152 and 1154.
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17 Dated: December 29, 2008

BLUE SHIELD OF CALIFORNIA LIFE &
HEALTH INSURANCE COMPANY

Signed 

Name: Seth A. Jacobs

Title: Secretary

23 APPROVED AS TO FORM:

24 Dated: December _____, 2008

MANATT, PHELPS & PHILLIPS, LLP

Signed: _____

Name: Gregory N. Pimstone
Attorneys for Respondent

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1 25. The Insurance Commissioner retains jurisdiction to ensure that BLUE
2 SHIELD LIFE complies with the provisions and terms of this Stipulation and Waiver and/or
3 Order approving this Stipulation and Waiver; and,

4 26. BLUE SHIELD LIFE represents and warrants that the persons executing
5 this Stipulation and Waiver on behalf of BLUE SHIELD LIFE are authorized to enter into and
6 execute this Stipulation and Waiver; and,

7 27. BLUE SHIELD LIFE acknowledges that California Insurance Code
8 §12921 requires the Insurance Commissioner to approve the final settlement of this matter. Both
9 the settlement terms and conditions contained herein and the acceptance of those terms and
10 conditions are contingent upon the Commissioner's approval, which shall be evidenced and
11 memorialized by the issuance of the Order provided for herein.
12

13 28. This Stipulation and Waiver is a compromise within the meaning of
14 California Evidence Code §§1152 and 1154.
15

16 //

17 Dated: December 29, 2008

BLUE SHIELD OF CALIFORNIA LIFE &
HEALTH INSURANCE COMPANY

18
19 Signed _____

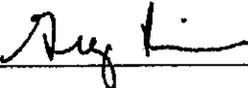
20 Name: Seth A. Jacobs

21 Title: Secretary

22
23 APPROVED AS TO FORM:

24 Dated: December 29, 2008

MANATT, PHELPS & PHILLIPS, LLP

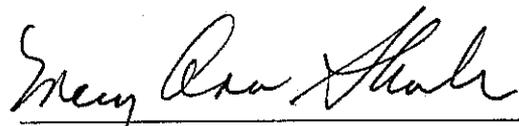
25
26 Signed:  _____

27 Name: Gregory N. Pimstone
28 Attorneys for Respondent

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Dated: December 29, 2008

STEVE POIZNER
Insurance Commissioner



Mary Ann Shulman
Senior Staff Counsel