



December 20, 2007

CA Insurer ID: 1450-6
NAIC #: 61557

Mr. Craig Dixon
Field Claims Bureau
California Department of Insurance
300 South Spring Street, 11th Floor
Los Angeles, CA 90013

RE: Field Claims and Targeted Field Claims Examination Reports for Blue Shield of California Life & Health Insurance Company

Dear Mr. Dixon:

Blue Shield of California Life & Health Insurance Company (“Blue Shield Life”) requests that the following response be posted to the Department’s website together with the adopted examination reports referenced above pursuant to California Insurance Code §12938.

Blue Shield Life is committed to providing Californians with high level service and complying with all relevant regulations. We’re proud of our strong reputation for customer service, and our focus on making health coverage easier for patients, providers and everyone with whom we do business. We strongly dispute many of the alleged violations, and question the audit’s intense focus on technical operational issues that represent new interpretations by the Department of existing law and that have no impact on the coverage provided to any member.

The Department’s report details the corrective actions we have taken to counter any individual mistakes that can be an inevitable part of a complex enterprise such as administering health coverage. These mistakes were instances of human error, not consistent with Blue Shield Life’s policies, and not reflective of our general business practices. Blue Shield Life is constantly working to minimize errors and increase cost-saving efficiencies in our procedures, and these corrective actions will be incorporated into those efforts.

A majority of the issues raised in this report are non-substantive procedural audit concerns with little or no effect on our members. Of the 531 alleged violations, nearly half were related to the audit process itself and the maintenance of files, rather than to conduct related to the coverage provided to our insureds. This includes 176 violations for supposedly taking too long to respond to auditor inquiries, and 58 violations for not having all documents, notes and work papers in the claim file. A large number of these record-keeping issues reflect the auditors' insistence on receiving paper copies of documents that had been stored electronically. Blue Shield Life provided the auditor with access to and training on its systems, ensuring easy and immediate access to those records. The auditor did not wish to access these records electronically, however; and demanded to see hard copy documents, which created delays in an audit process that had already begun. The violations that allegedly resulted from those delays did not affect our members.

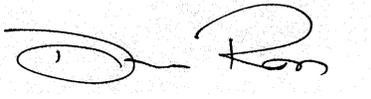
Certain of the alleged violations criticize Blue Shield Life for having paid claims without investigating whether they could be denied as arising from pre-existing conditions. In a surreal fashion, the report alleges not only that the failure to investigate those grounds for denial was a violation, but that the absence of file materials documenting the non-existent pre-existing condition investigation was a separate violation.

Other alleged violations that relate to administration of claims involve Blue Shield Life's efforts to provide information to insureds, and certainly do not indicate general unfair business practices. As an example, the Department found that a descriptive claims explanation on an Explanation of Benefits form was not detailed enough. In another example, reference to the California Department of Managed Health Care rather than the Department of Insurance was inadvertently made on form language providing information on independent medical reviews. Again, such alleged violations did not affect claim payments or coverage for anyone.

Finally, the overall number of violations is misleading because, as the foregoing examples show, the report often construes a single act as more than one violation.

This response is being provided both in hard copy and electronically by email as required by Title 10 of the California Code of Regulations, Section 2695.30.

Sincerely,

A handwritten signature in black ink, appearing to read "Duncan Ross". The signature is written in a cursive style with a large initial "D" and "R".

Duncan Ross
President