

Blue Cross and Blue Shield of Nebraska Corporate Governance Guidelines

I. ROLE OF THE BOARD OF DIRECTORS

The Articles of Incorporation charge the Board of Directors with conducting the affairs and business of Blue Cross and Blue Shield of Nebraska (hereinafter “Company”). In order to fulfill this responsibility, the Board of Directors, acting directly or through Committees, shall exercise its business judgment in making decisions that it reasonably believes are in the best interests of the Company and its Members. As an appropriate use of corporate governance, the Board of Directors shall delegate the day to day management of the Company to the executive management. The Board of Directors continues; however, to be responsible for oversight and monitoring of these delegated functions.

These Guidelines are in addition to and are not intended to change any applicable law, regulation, or the Bylaws of the Company. These Guidelines are subject to modification from time to time by the Board of Directors.

II. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

In addition to its general oversight of management, the Board of Directors also performs a number of specific functions or may delegate such performance to a Committee or appropriate member of management, including, but not limited to:

- Approving the corporate mission, vision and values;
- Reviewing and approving or modifying business objectives, major strategies and corporate policies;
- Reviewing and approving the Company’s financial objectives, plans and actions, including significant capital allocations, expenditures and other significant financial obligations;
- Reviewing the performance of the Company related to its objectives, strategies and policies;
- Reviewing and approving material transactions not in the ordinary course of business;
- Ensuring processes are in place for maintaining an ethical corporate culture;
- Giving advice and counsel to management;
- Ensuring management development and succession;
- Ensuring management compensation is set at competitive levels;
- Regularly evaluating the performance of the Board of Directors as a whole and its Committees;
- Appointment and evaluation of the President and the Chief Executive Officer;
- Appointment of other corporate officers;
- Adopting Bylaws, Corporate Governance Guidelines and Committee Charters; and
- Filling vacancies of the Board of Directors.

III. DIRECTOR INDEPENDENCE

The Company requires that a majority of its Directors be considered Independent Directors. Each member of the Board of Directors shall annually complete a detailed conflict of interest disclosure. In addition, the Board of Directors, through the Governance Committee, shall annually review whether a majority of its Directors meet this standard, as defined in the Bylaws.

IV. BOARD OF DIRECTORS PARTICIPATION

A. BOARD OF DIRECTORS MEMBERSHIP CRITERIA

The Governance Committee is responsible for developing and recommending the appropriate skills and characteristics required of Directors, in keeping with the strategic direction of the Company and the current make-up of the Board of Directors. The Governance Committee shall then advise the members of the Nominating Committee of such skill sets and characteristics. At a minimum, Directors shall be of good moral character and known professional, administrative or business ability. Such business ability shall include a practical knowledge of insurance, finance or investment. Additional criteria include the following:

- All Directors shall be Members of the corporation. A Director who receives insurance through a corporation, association or other organization may purchase an individual policy from the Company to fulfill this requirement;
- A majority of the Directors shall be considered Independent Directors;
- A majority of the Directors shall be citizens of the State of Nebraska;
- A majority of the Directors shall not be considered Health Care Providers;
- No more than two Directors may be officers or employees of the Company;
- No Director can be a person convicted of a felony; and
- No Director can be a person deemed unfit by a court under the Securities Exchange Act.

B. RECRUITMENT AND APPOINTMENT OF DIRECTORS

The Board of Directors, under the leadership of the Chairman with input from the Chief Executive Officer, is responsible for identifying potential candidates for membership on the Board of Directors. Annually, candidate lists are submitted to the Nominating Committee for consideration. Annually, the Nominating Committee will recommend to the Board of Directors a slate of candidates for nomination to the Board of Directors. If approved by the Board of Directors, the slate of candidates will be presented to the Members of the Company at the Annual Meeting of Members. Upon election by the Members, the elected Directors shall be notified by the Chairperson.

C. ELECTION OF BOARD OF DIRECTORS LEADERSHIP

The Nominating Committee shall annually recommend candidates to the Board of Directors for the office of Chairperson and Vice Chairperson. The Board of Directors shall select one of its members for the position of Chairperson and one of its members for the position of Vice Chairperson.

V. DIRECTOR ORIENTATION AND CONTINUING EDUCATION

A. DIRECTOR ORIENTATION

Blue Cross and Blue Shield of Nebraska is committed to providing its Directors with educational opportunities that enable them to best serve the Company. To that end, the Board of Directors has established an orientation program for new Directors.

Following the selection of new Directors, the Chairperson and Chief Executive Officer will identify specific informational and developmental needs of each new member. Based upon that assessment, a mentor will be assigned by the Chairperson (as described

below) and a member of the senior leadership team will be designated for serving as a resource to the new Director.

One or more orientation sessions will be conducted by the Chairperson, the Chief Executive Officer, the Board Mentor and staff as appropriate. The focus of these orientation sessions will be board concepts, governance practices, strategies of the Company, Company history, industry and market considerations and operations. Additional information will be shared with new Directors through written materials and briefings by management staff, including Finance, Operations and Marketing.

Within the first year of service on the Board of Directors, new Directors will receive training regarding the fiduciary duties of a Director, including, but not limited to the duties of loyalty and care. Training also will include a review of the Company's policies and procedures.

In addition, within the first year of service on the Board of Directors, new Directors will complete a training program developed by the Blue Cross and Blue Shield Association that addresses the role and governance structure of the Association, including the responsibilities of Plan Chief Executive Officer's on the Association's Board of Directors.

B. MENTOR PROGRAM

In order to help new Directors learn about the Board of Directors, its structure, functioning and goals during the first year of their service, an experienced Director will be asked to act as the new Director's mentor. The mentor assists the new Director in getting acclimated to the Company's Board of Directors, encourages the new Director's questions, and serves as a resource for information about the Company and the Board of Directors.

To facilitate this role, the mentor should meet periodically, either in person or by phone, with the new Director to provide advice and counsel, answer concerns, etc. A formal, in person session should be held after the new Director has been on the Board of Directors for at least one quarter. It is expected that additional contacts will be maintained throughout the new Director's first year on the Board of Directors.

C. CONTINUING EDUCATION

Informational materials regarding relevant industry developments are regularly provided to Directors by the Chairperson and the Chief Executive Officer. In addition, appropriate educational topics are included as part of regular Committee and Board of Directors meeting agendas.

The entire Board of Directors will be invited to participate in the annual Board Retreat. The agenda for such retreat will be determined by the Chairperson and the Chief Executive Officer, with input from the Board of Directors. The agenda for this retreat frequently includes presentations regarding industry trends, best practices in board governance and strategic planning discussions.

In order to provide Directors with further educational opportunities that enable them to better serve the Company, Directors are invited to participate in the Western Leadership Conferences and workshops or seminars in a field related to his or her responsibilities on the Board of Directors. Additional educational programs for Directors may be identified by the Chairperson, Chief Executive Officer, Secretary or individual Directors, subject to

approval by the Chairperson. Directors are encouraged to share a report with the full Board of Directors following their attendance at a conference, workshop or seminar.

VI. BOARD OF DIRECTORS MEETINGS

A. ATTENDANCE OF NON-DIRECTORS AT BOARD OF DIRECTORS MEETINGS

The Board of Directors welcomes the regular attendance at each Board of Directors Meeting of members of the Company's executive leadership team and other persons as determined by the Chairperson to be appropriate and necessary to the business to be set forth in the Agenda.

B. SELECTION OF AGENDA ITEMS FOR BOARD OF DIRECTORS MEETINGS

The Chairperson, the Chief Executive Officer and Secretary will establish the agenda for each Board of Directors meeting. Each Director is free to suggest the inclusion of item(s) on the agenda.

C. BOARD OF DIRECTORS MATERIALS DISTRIBUTED IN ADVANCE

Information and data that is important to the Board of Directors' understanding of the meeting agenda will be posted to e-Board, the secure online portal for communication with the Company's Board of Directors, and distributed in writing to the Directors in advance of the meeting. Management will make every attempt to provide these materials no less than one week before the scheduled meeting. Directors are expected to review the agenda materials in advance of the meeting to facilitate the efficient use of meeting time.

D. EXECUTIVE SESSIONS

Directors will be given the opportunity to meet in Executive Session at each Committee meeting, Regular Meeting and Special Meeting. Executive sessions will be led by the Chairperson, who will determine whether to include any officers of the Company in the session. When the actions of the Board of Directors are determined in Executive session, the Board of Directors will re-convene and formally place Board of Directors actions or Committee recommendations on the record, in the form of motions.

VII. DIRECTOR COMPENSATION

Director compensation consists of an annual retainer, paid in quarterly installments, and per meeting fees for both in-person and telephonic meetings. Compensation shall be made directly to the individual Director. The Compensation Committee shall conduct an annual review of Director compensation and may seek recommendations from an independent compensation consultant. Any changes in Director compensation recommended by the Compensation Committee requires approval of the Board of Directors.

VIII. FUNCTIONS OF THE BOARD OF DIRECTORS

A. ASSESSMENT OF THE BOARD OF DIRECTORS AND COMMITTEES

An assessment of the Board of Directors and its standing committees shall be conducted annually. In conjunction with the Governance Committee, the Chairperson, with input from the Chief Executive Officer, shall facilitate the annual self-evaluation process for the Board of Directors and its standing Committees. The Chairperson will report to the

Board of Directors and each Committee the results of such assessment of performance. The assessments will be of the performance of the Board of Directors or Committee as a whole.

B. FORMAL EVALUATION OF THE CHIEF EXECUTIVE OFFICER

The Chairperson will ensure that a formal process is in place to annually evaluate the performance of the Chief Executive Officer, and that such process is participated in by the Board of Directors.

The evaluation will be based on objective criteria including performance of the business, accomplishment of strategic objectives, development of management and the duties outlined in his or her job description. In addition, the evaluation will include a self-evaluation component.

The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation for the Chief Executive Officer.

C. SUCCESSION PLANNING

The Governance Committee shall make recommendations to the Board of Directors regarding the development of and/or review of the Succession Plan for the Chairperson and the Chief Executive Officer on at least an annual basis.

The Board of Directors requires the Chief Executive Officer to develop a succession plan for executive leadership. The Governance Committee and the Chairperson shall monitor the development and maintenance of such plan.

D. ACCESS TO SENIOR MANAGEMENT

Directors shall have access to the Company's management. It is assumed that Directors will use judgment to ensure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chairperson and Chief Executive Officer. Such access may be arranged through the Board Resource Administrator.

Furthermore, the Board of Directors encourages executive management, from time to time, to bring managers into Board of Directors meetings who can provide additional insight into the items being discussed because of personal involvement in these areas, or represent managers with future potential that the senior management believes should be given exposure to the Board of Directors.

E. INTERACTION WITH EXTERNAL AUDIENCES (PRESS, CUSTOMERS, ETC.)

The Board of Directors believes that management speaks for the Company. If comments from the Board of Directors are appropriate, they will, in most circumstances, come from the Chairperson. Individual Directors may, from time to time, at the request of the Chairperson or the Chief Executive Officer, meet or otherwise communicate with various constituencies that are involved with the Company.

IX. BOARD COMMITTEES

A. STRUCTURE AND PROCESS OF COMMITTEES

The Board of Directors has created Committees for the purpose of performing certain oversight functions. Each Committee reports its recommendations, activities, and work product to the full Board of Directors on a regular and continuing basis.

Each Committee shall have a written Charter, which sets forth the purpose, composition requirements, meeting frequency, and responsibilities of the Committee.

The Board of Directors and Committees shall have the resources and authority to discharge their responsibilities, including the authority, to the extent deemed necessary or appropriate, to consult with, retain, and compensate at the Company's expense independent legal, financial, accounting or other advisors or consultants in order to assist in their duties to the Company and its Members.

B. ASSIGNMENT AND ROTATION OF COMMITTEE MEMBERS

To the extent not defined by the Bylaws, the Chairperson recommends the Committee assignments, along with the designation of Committee Chairpersons. The Board of Directors shall approve the final assignments.

Consideration should be given to rotating Committee members periodically, but the Board of Directors does not feel that such a rotation should be mandated as a policy since there may be reasons at a given point in time to maintain an individual Director's Committee membership for a longer period.

C. FREQUENCY AND LENGTH OF COMMITTEE MEETINGS

The Committee Chairperson, in consultation with Committee members, the Chairperson, Chief Executive Officer and the Secretary shall determine the frequency and length of the meetings of the Committee.

D. COMMITTEE AGENDA

The Chairperson and Committee Chairpersons, in consultation with the Secretary and other appropriate members of management and staff, shall develop the Committee agendas. Each Committee shall establish a work schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year to the degree these can be foreseen.

X. STANDARDS OF CONDUCT

A. CONFIDENTIALITY

The Directors understand they will be given, or have access to, information that is private, confidential, or proprietary to the Company or third parties. The Directors shall protect and maintain the confidentiality and security of such records and information, both during and after their service on the Board of Directors.

The Directors shall protect and maintain the confidentiality of all Board of Directors and Committee discussions and deliberations and the content of the materials discussed with or distributed to the Directors by management.

In the event that a Director violates the provisions of this section, such Director shall be subject to removal from the Board of Directors by a majority vote of the Board of Directors at a special meeting; provided, however, that no Director shall be removed without notice and an opportunity to be heard on the question.

B. COMPLIANCE AND ETHICS PROGRAM

The Board of Directors is responsible for ensuring that the Company adopts an effective compliance and ethics program designed to detect and prevent violations of the law and promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law. The Board of Directors shall be knowledgeable about the content and operation of the program and exercise reasonable oversight with respect to its implementation and effectiveness.

C. CODE OF CONDUCT

The Company has adopted a Code of Conduct and other internal policies and guidelines intended to support the Company's mission statement and to comply with the laws, rules and regulations that govern the Company's business operations. The Code of Conduct applies to all Directors, officers, management and employees of the Company. Everyone is expected to act in accordance with the requirements of the Code of Conduct, which provide guidance in recognizing and dealing with ethical issues, provide means to report unethical conduct and help foster a culture of honesty and integrity. All alleged violations of the Code of Conduct shall be reported to the Audit and Compliance Committee by the Compliance Officer.

D. CONFLICTS OF INTEREST

Each Director shall disclose potential conflicts of interest through an Annual Conflict of Interest Disclosure Statement. In the event a Board of Directors member has a potential conflict of interest with a particular matter or decision to be made by the Board of Directors, the Director shall disclose the conflict of interest to the Board of Directors and abstain from voting on the matter. Due to the unique nature of mutual insurance companies, a potential conflict of interest exists when a Director's corporation, organization or association negotiates a health insurance or administrative services agreement with the Company. Therefore, in order to avoid a potential conflict of interest, Directors shall not use their status as a Director of the Company to influence, for the benefit of the Director's corporation, organization or association, in any manner, the negotiation of a health insurance or administrative services agreement with the Company. In the event a Director is directly involved in the negotiation of a health insurance or administrative services agreement with the Company, the Director shall disclose the conflict of interest in the Annual Conflict of Interest Disclosure Statement to the Board of Directors.

E. PERSONAL LOANS

The Company shall not extend credit or arrange for the extension of credit in the form of a personal loan to Directors, officers, management and/or employees.