

**Policy of Blue Shield of California
On
Director Independence**

A. No director qualifies as “independent” unless the Board of Directors affirmatively determines that the director has no material relationship with Blue Shield¹ (either directly or as a partner, shareholder or officer of an organization that has a relationship with Blue Shield).

B. In addition:

(1) A director who is an employee, or whose immediate family member is an executive officer, of Blue Shield is not independent until three years after the end of such employment relationship.

(2) A director who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from Blue Shield, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$100,000 per year in such compensation.

(3) A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the company is not independent until three years after the end of the affiliation or the employment or auditing relationship.

(4) A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, Blue Shield for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company’s consolidated gross revenues, is not independent until three years after falling below such threshold.

¹ The term “Blue Shield” when used in this Policy means California Physicians’ Service and its subsidiaries.