



An Independent Licensee of the
Blue Cross and Blue Shield Association

PROXY STATEMENT

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2013 Annual Meeting of Members

TABLE OF CONTENTS

	Page
ABOUT THE ANNUAL MEETING	1
SUMMARY	3
PROPOSAL 1: THE REORGANIZATION.....	11
Overview	11
Recommendation of Board of Directors.....	11
DESCRIPTION OF THE REORGANIZATION	11
The Reorganization	12
Reasons for the Reorganization.....	13
Effective Date of the Reorganization	14
Adoption and Amendment of Articles of Incorporation and Bylaws for Purposes of Reorganization of Florida Blue as a Stock Insurance Company	14
Comparison of Articles of Incorporation and Bylaws of Mutual Holdco with Current Bylaws of Florida Blue.....	15
Comparison of Articles of Incorporation and Bylaws of Group with Current Bylaws of Florida Blue	16
Post-Reorganization Member Voting Rights	17
Indemnification	17
Litigation Concerning Mutual Insurance Holding Company Reorganizations	17
Effects of Reorganization.....	18
Federal Income Tax Consequences	20
Conditions to Reorganization.....	20
Amendment or Withdrawal of Plan.....	22
Disclosure of Risk Factors	22
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC	23
Products	23
Marketing and Distribution	23
Investments	23
Legal Proceedings	23
Directors	24
REGULATION OF FLORIDA BLUE AND MUTUAL HOLDCO.....	26
AVAILABLE INFORMATION	27
SELECTED HISTORICAL FINANCIAL DATA	27
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	28
PROPOSAL 2: RE-ELECTION OF FLORIDA BLUE DIRECTORS	29
Overview	29
Board of Director Nominee Biographies.....	29
Recommendation of Board of Directors.....	30

ANNEXES

Annex A	PLAN OF REORGANIZATION
Annex B	ORDER
Annex C	OPINION OF JPMORGAN
Annex D	AUDITED FINANCIAL STATEMENTS

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION INCONSISTENT WITH THIS PROXY STATEMENT IN CONNECTION WITH THE PLAN OF REORGANIZATION AND THE TRANSACTIONS CONTEMPLATED THEREBY AND ANY SUCH INFORMATION OR REPRESENTATION, IF GIVEN OR MADE, MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY FLORIDA BLUE.

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

PROXY STATEMENT

2013 ANNUAL MEETING OF MEMBERS

Blue Cross and Blue Shield of Florida, Inc. ("Florida Blue" or "the Company") is furnishing this Proxy Statement and the enclosed proxy in connection with the solicitation of proxies by the Board of Directors of Florida Blue for use at the Annual Meeting of Members to be held on Tuesday, September 10, 2013, at 9 a.m. local time, at the University of North Florida's University Center, 12000 Alumni Drive, Jacksonville, Florida, and at any adjournments thereof (the "Annual Meeting"). These materials are being provided to members of Florida Blue (the "Members") on or about August 19, 2013.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

The items of business scheduled to be voted on at the Annual Meeting are:

- Proposal 1: to approve a Plan of Reorganization (the "Plan") of Florida Blue and the transactions contemplated thereby (see page 11); and
- Proposal 2: to re-elect four directors, each for a three-year term (see page 29).

The Members will also consider other business that properly comes before the Annual Meeting.

What are the Board's voting recommendations?

Florida Blue's Board of Directors (the "Board") recommends that you vote: (1) "FOR" the Plan and the transactions contemplated thereby; and (2) "FOR" each of the nominees to the Board.

What happens if additional proposals are presented at the meeting?

Florida Blue has not received, as of the date hereof, proper notice in accordance with Florida Blue's Bylaws of any matters to be voted upon at the Annual Meeting other than those stated in this Proxy Statement and the accompanying Notice of Annual Meeting of Members and Vote on a Plan of Reorganization. If other matters were to be properly presented and you vote by proxy, your proxy grants the individuals named as proxy holders the discretion to vote on your behalf on any additional matters properly presented for a vote at the meeting.

Who is entitled to vote?

Only persons who, on the basis of the records of Florida Blue and under the Bylaws of Florida Blue, were Members of Florida Blue as of July 15, 2013 (the record date established by the Board, the "Record Date") are eligible to vote at the Annual Meeting.

Each Member of record on the Record Date (each, an "Eligible Member" and, collectively, the "Eligible Members") is entitled to a number of votes equal to the monthly premium dollars attributed to such Member as determined in the month immediately preceding the Record Date. Members may vote by submitting their proxy in accordance with the voting instructions included on the proxy card enclosed with this Proxy Statement. All proxies received by

Florida Blue that are properly executed and have not been revoked will be voted in accordance with the instructions contained in the proxy cards. A proxy that is signed but not marked FOR or AGAINST the Plan, and/or the election of director nominees or that is marked both FOR and AGAINST the Plan, will not count and will not be treated as votes cast with respect to the Plan, and the transactions contemplated thereby or the election of directors.

What constitutes a quorum?

A quorum at the Annual Meeting will consist of all Members present and voting in person or by proxy.

How do I vote at the Annual Meeting?

There are four different ways to vote:

By Internet: You may submit a proxy over the Internet by following the instructions at www.investorvote.com/bcfl.

By Telephone: You may submit a proxy by calling 1-800-652-VOTE (8683) and following the instructions.

By Mail: You may complete, sign and return the proxy card in the postage-paid envelope provided.

In Person: If you are a Member as of the Record Date, you may vote in person at the Annual Meeting. Submitting a proxy will not prevent a Member from attending the Annual Meeting and voting in person.

Can I change my vote after I return my proxy card or after I vote by telephone or over the Internet?

A Member of record may revoke a proxy at any time before it is voted at the Annual Meeting by (a) delivering a proxy revocation or another duly executed proxy bearing a later date to the Secretary of Florida Blue at 4800 Deerwood Campus Parkway, Jacksonville, Florida 32246 or (b) attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not revoke a proxy unless the Member actually votes in person at the meeting.

What vote is required to approve each matter that comes before the meeting?

Proposal 1 is approved upon the affirmative vote of at least a majority of votes cast in person or by proxy by the Members of Florida Blue, with regard to Proposal 1, notwithstanding quorum or voting action requirements otherwise applicable to Florida Blue to the contrary. For Proposal 2, a plurality of votes cast in person or by proxy by the Members of Florida Blue at the Annual Meeting with regard to Proposal 2 is required to elect directors. "Plurality" means the four individuals who receive the largest number of votes will be elected as directors.

Who will bear the costs of soliciting votes for the meeting?

The proxy card accompanying this Proxy Statement is solicited by the Board of Directors of Florida Blue. Florida Blue will pay all of the costs of soliciting proxies. In addition to solicitation by mail, officers, directors and employees of Florida Blue may solicit proxies personally, or by telephone, without receiving additional compensation. Florida Blue has retained Computershare Shareowner Services to assist in the solicitation of proxies in connection with the Annual Meeting.

SUMMARY

This summary highlights selected information from this Proxy Statement and may not contain all the information that is important to you. For more information regarding the proposals, including the reorganization, and for a more complete description of the legal terms of the Plan of Reorganization, Members should carefully read this Proxy Statement and the Annexes hereto in their entirety. See “AVAILABLE INFORMATION” in this Proxy Statement for details on how you can obtain more information about Florida Blue.

Proposal 1: The Reorganization

Under the Plan, Florida Blue will reorganize from a not-for-profit mutual insurer to a stock insurance company, simultaneously with the creation of a mutual insurance holding company to be named GuideWell Mutual Holding Company (“Mutual Holdco”). The stock insurance company will continue to be called Blue Cross and Blue Shield of Florida, Inc. and to do business as “Florida Blue.” The Plan also contemplates that certain of Florida Blue’s subsidiaries and certain real estate, property and equipment, stocks and bonds will be transferred to GuideWell Health Group, Inc. (“Group”), a new stock company formed pursuant to the Plan, which will be wholly owned by Mutual Holdco after the proposed reorganization. The aggregate value of the subsidiaries and other assets to be transferred to Group as part of the Plan is approximately \$1.6 billion. At all times as required by applicable law, Mutual Holdco shall own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue. See “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION” in this Proxy Statement.

Florida Blue insurance policies will continue to be the contractual obligations of Florida Blue from and after the reorganization contemplated by the Plan (the “Reorganization”).

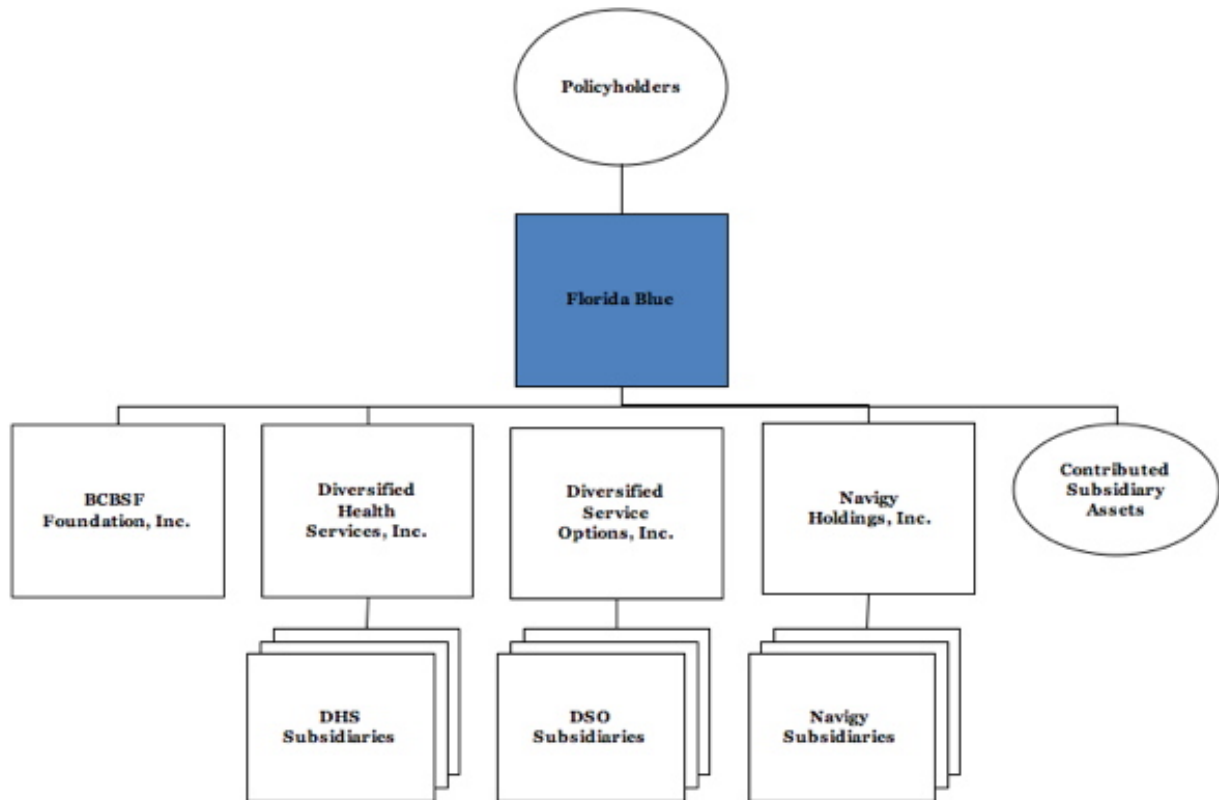
Florida Blue submitted an application to the Office of Insurance Regulation within the state of Florida (the “Office”), which has additional information about the Plan. This application can be accessed at www.flor.com/siteDocuments/BCBSApplication.pdf.

A Member of Florida Blue at the time the Plan becomes effective will become a Member of Mutual Holdco automatically and will remain a Member until such Member’s policy with Florida Blue expires or otherwise is terminated. In addition, a person who purchases a Florida Blue insurance policy after the Plan becomes effective automatically will become a member of Mutual Holdco and similarly will remain a member until the expiration or other termination of such policy.

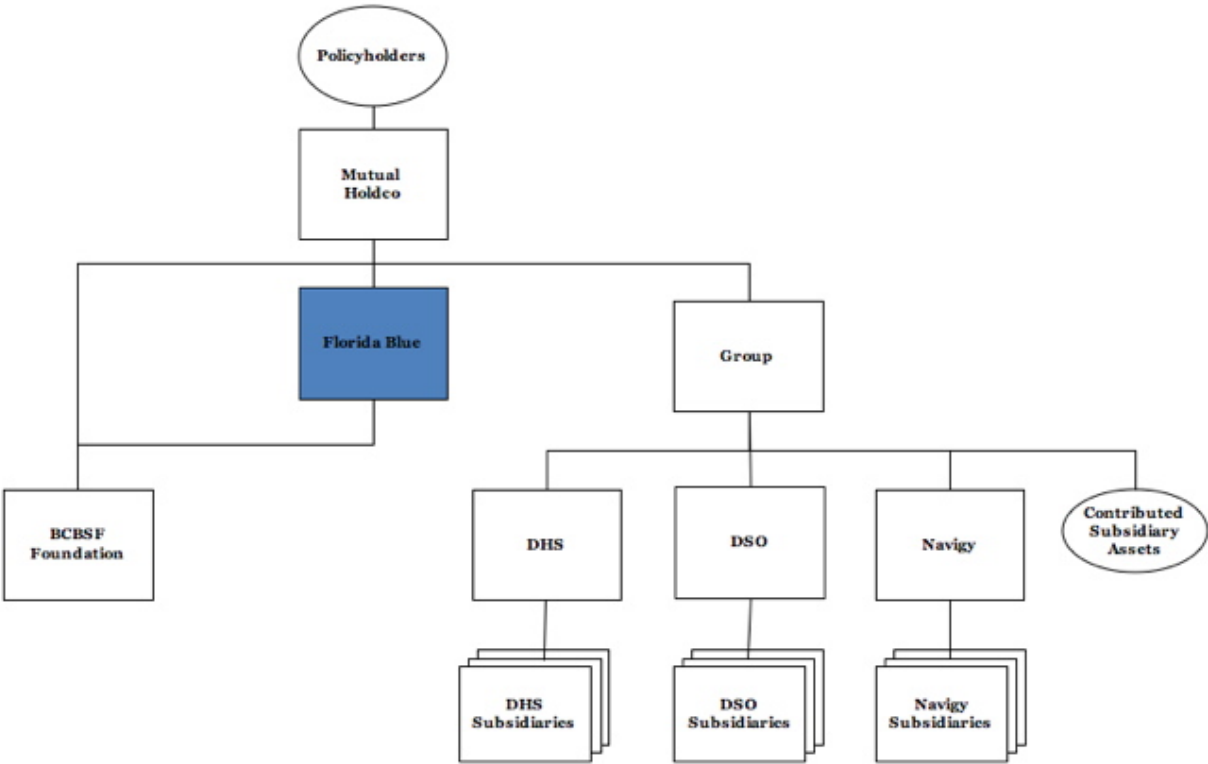
Mutual Holdco will not be authorized to issue any capital stock. Florida Blue will be able to sell stock to outside investors. The Plan requires that Mutual Holdco, at all times as required by law, own a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue either directly or indirectly through the majority ownership of any intermediate holding companies interposed between Mutual Holdco and Florida Blue. Subject to these limitations, the proposed Articles of Incorporation of Florida Blue do not prohibit the issuance of its common stock to third parties, although prior written approval of the Office must be obtained prior to Florida Blue’s issuance of stock, as required by the Order attached hereto as Annex B (the “Order”). The Plan is included in this Proxy Statement as Annex A. In addition, pursuant to the Order, any issuance of stock by Group will require the prior written approval of the Office. Members are encouraged to read the Plan carefully and fully as it is the legal document that governs the Reorganization. For a summary of the Plan, see “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION” in this Proxy Statement. For a description of the Order, see “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Conditions to the Reorganization—*Regulatory Approvals*.”

The following diagrams depict the organizational structure of Florida Blue before and after the Reorganization.

Before the Reorganization



After the Reorganization



Reasons for the Reorganization

The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdco level, while providing similar flexibility as for-profit competitor structures. For example, by transferring the ownership of certain subsidiaries and assets from Florida Blue to Group, the Reorganization allows the entire enterprise to be more nimble because Group will have access to more capital that is not subject to investment limitations imposed on insurance companies such as Florida Blue. It will allow for better growth and scalability of Florida Blue's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise and increase Florida Blue's ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue's mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue's mission, remain financially strong for its Members and substantially enable core transformation and diversification, while retaining the long-term, consistent focus of a mutual company. See "PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Reasons for the Reorganization" for further discussion of the benefits arising out of the Reorganization.

Risks of and Alternatives to the Reorganization

Members should carefully consider the potential risks of the Reorganization. In contrast with a demutualization of Florida Blue, under the Plan, no securities or rights to purchase securities will be distributed to Members. Members will not be entitled to any shareholder distributions of Florida Blue, although the Plan does contemplate that approximately \$1.6 billion of assets, including certain of Florida Blue subsidiaries, will be transferred to Group upon the Effective Date. There are other potential risks as well, which are described elsewhere in this Proxy Statement and in the Plan, Annex A of this Proxy Statement. See "PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Disclosure of Risk Factors." The Board concluded, however, that these possible disadvantages would be outweighed by the potential benefits of the Reorganization.

In addition to considering the potential benefits and risks of the Reorganization, the Board of Directors considered alternatives to the Reorganization, including maintaining the current structure of Florida Blue, and other alternatives described in the Plan, Annex A of this Proxy Statement. The Board of Directors concluded that none of the alternatives considered was in the best interests of Florida Blue and its policyholders at this time.

Recommendation to Members

Florida Blue's Board of Directors believes that the Reorganization is fair and equitable to the Members of Florida Blue. The Board unanimously recommends that Members vote "FOR" approval of the Plan and the transactions contemplated thereby.

In its deliberations regarding the Plan, the Board of Directors considered the opinion of J.P. Morgan Securities LLC ("J.P. Morgan"). J.P. Morgan provided an opinion, dated May 28, 2013, to the Board of Directors to the effect that, as of the date of the opinion and subject to the assumptions, qualifications and limitations expressed in the opinion, the exchange of membership interests in Florida Blue for membership interests in Mutual Holdco pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of Florida Blue, taken as a group. A copy of the written opinion of J.P. Morgan is included in this Proxy Statement as Annex C. Members are encouraged to read the opinion in its entirety, including the assumptions, qualifications and limitations expressed therein. See "PROPOSAL 1: THE REORGANIZATION—BACKGROUND OF THE REORGANIZATION—Recommendation to Members" in this Proxy Statement.

The Order

The Office issued an order approving the Plan (the “Order”) on August 16, 2013, a copy of which is attached to this Proxy Statement as Annex B.

The Order contains many standard representations made by Florida Blue and its subsidiaries that are Florida insurers as well as conditions to the Office’s approval of the Reorganization. In addition, pursuant to the Order, Florida Blue has agreed that neither it nor Group may issue any stock without the prior written approval of the Office and that Group shall not pledge the stock or membership interests of any of the subsidiaries that are subject to Office regulation without the prior written approval of the Office. In the event that Florida Blue fails to adhere to one or more of the terms or conditions contained in the Order, the Office could revoke the certificates of authority to issue insurance in the State of Florida of Florida Blue and the subsidiaries that are Florida insurers. In the future, Florida Blue could request that the Office vacate certain provisions of the Order and the Office, in its sole discretion, could grant such a request. For more information regarding the Order and regulatory approval by the Office, see “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Regulatory Approval” in this Proxy Statement

Effects of the Reorganization on Member Interests

At present, Members have both membership interests in Florida Blue and contract rights under their insurance policies with Florida Blue. As a result of the Reorganization, the membership interests of Members will become membership interests in Mutual Holdco, and the Members’ membership interests in Florida Blue will be extinguished. Persons who become owners of policies issued or assumed by Florida Blue after the date on which the Plan becomes effective (the “Effective Date”) will automatically become members of Mutual Holdco. The membership rights of the holders of membership interests in Mutual Holdco will be the same as the membership rights they had as holders of membership interests in Florida Blue. Upon the Reorganization, the Florida Blue insurance policies (“Policies”) will continue as the contractual obligations of Florida Blue, and the Members of Florida Blue will continue to be policyholders of Florida Blue.

Distributions to Members

Mutual Holdco will not make any distributions or payments of income, dividends or profits directly to Members, except in the event of its dissolution or liquidation, pursuant to a demutualization, or as expressly approved by the Office.

Contract Rights and Membership Interests Before and After the Reorganization

Policies in force with Florida Blue at the Effective Date will continue as Policies of Florida Blue. The Plan will not increase or otherwise adversely change the premiums required to be paid on Policies of Florida Blue. The following table provides a brief description of the effects of the Reorganization on the contract rights and Member rights of Members.

		Before Reorganization	After Reorganization
Contract Rights	Right to receive, as Member, Policy benefits.....	Policy benefits which consist of health insurance coverage under Florida Blue Member agreements are obligations of Florida Blue.	Policy obligations to provide health insurance continue unchanged for the Members, who will continue to be policyholders of Florida Blue.
Membership Interests	Voting in election of directors and on other corporate	Each Member has a number of votes in Florida Blue equal to the monthly	Voting rights in Florida Blue become voting rights in Mutual Holdco, which, under

matters.....	premium dollars attributed to such Member as determined in the month immediately preceding the record date of a meeting.	the Plan, will always have voting control over Florida Blue. The number of votes is determined on the same basis as before the Reorganization.
In the event of liquidation.....	Members of Florida Blue, as members of a mutual insurance company, share in any assets left after payment of all liabilities in the event the insurance company ceases to exist.	Under Florida law, policyholders, as members of Mutual Holdco, also share in any assets of Mutual Holdco remaining after payment of its liabilities, but include all policyholders who were members within the three years prior to the liquidation.
In the event of reorganization to a stock corporation (demutualization).....	Under Florida law, Members who are determined to be eligible to participate in a demutualization would receive a minimum of 50% of the cash equivalent of their pro-rata share of the company's net surplus as corporate equity (if any), and Members have the preemptive right to purchase their proportionate share of capital stock in the stock company using their corporate equity (if any) in lieu of receiving a cash payment, or Members may use their corporate equity to obtain less than their proportionate share of stock and receive a cash payment for any remaining corporate equity assigned to them.	Under Florida law, Mutual Holdco may also convert to a stock corporation through a demutualization. The demutualization law for a mutual insurance holding company is the same as for a mutual insurance company.

Federal Income Tax Consequences of the Reorganization

The following is a summary of the principal federal income tax consequences under current law to Members, Florida Blue, Mutual Holdco and Group from the Reorganization. Current law includes the Internal Revenue Code, the regulations promulgated thereunder, judicial decisions and administrative pronouncements by the Internal Revenue Service (“IRS”). This summary is for general information only. It is not intended to be a complete discussion of all tax consequences that may be relevant to a particular Member. Accordingly, each Member may wish to consult a tax advisor regarding any federal, state, local and applicable foreign tax consequences of the Reorganization to their particular circumstances, including matters not addressed in this Proxy Statement and the effects of any changes in tax laws or regulations after the date hereof.

Florida Blue expects its reorganization from a not-for-profit mutual insurer to a stock insurance company as described in Section 7.02 of the Plan will be a tax-free reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code; (ii) Florida Blue will be a “party to the reorganization” within the meaning of Section 368(b) of the Code; and (iii) the formation of Mutual Holdco and Group as contemplated by the Plan will not be subject to tax under the Internal Revenue Code. See “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Federal Income Tax Consequences” in this Proxy Statement.

As part of the Reorganization, after the formation of Mutual Holdco and Florida Blue’s issuance of all of its common stock to Mutual Holdco, Florida Blue will contribute the stock of certain subsidiaries and assets to Group and then distribute the stock of Group to Mutual Holdco, Florida Blue’s sole shareholder. Florida Blue believes that its contribution of the subsidiaries and assets to Group and distribution of all of its common stock of Group as described in the Plan will be a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code. See “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Federal Income Tax Consequences” in this Proxy Statement.

The Company believes that Members will not be subject to U.S. federal income tax as a result of the termination of their membership interests in Florida Blue or their receipt of member interests in Mutual Holdco. Members should consult their own tax advisors regarding any federal, state, local and applicable foreign tax consequences of the Reorganization to their particular circumstances, including matters not addressed in this Proxy Statement and the effects of any changes in tax laws or regulations after the date hereof.

The Reorganization is subject to Florida Blue having received on or before the Effective Date a private letter ruling indication from the IRS or one or more tax opinions of its independent tax adviser with regard to any of the federal income tax consequences of the Reorganization. See “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Federal Income Tax Consequences” in this Proxy Statement.

For more information on tax consequences, see “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Federal Income Tax Consequences” in this Proxy Statement.

Conditions to the Effectiveness of the Plan

The consummation of the Reorganization is subject to the satisfaction of certain conditions, including approval of the Plan and the transactions contemplated thereby by the requisite vote of the Eligible Members at the Annual Meeting; receipt by Florida Blue of a private letter ruling indication from the IRS or one or more tax opinions from the Company’s independent tax adviser with regard to the federal income tax consequences of the Reorganization; receipt of a “no-action” letter from the Securities and Exchange Commission or an opinion of legal counsel to the effect that the membership interests of Mutual Holdco do not require registration under the Securities Act of 1933, as amended or the Exchange Act of 1934, as amended; and an absence of any material adverse change in the law or regulation affecting the Plan. Assuming that these conditions are satisfied, it is anticipated that Florida Blue will consummate the Reorganization effective January 1, 2014. See “PROPOSAL 1: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Conditions to Reorganization” in this Proxy Statement.

Proposal 2: Re-Election of Nominees to the Florida Blue Board of Directors

The Board has nominated each of the following four individuals to serve as a director for a term of three years:

Catherine P. Bessant

Steven T. Halverson

Barbara S. Thomas

Gonzalo F. Valdes-Fauli

If re-elected at this year's Annual Meeting, each nominee will serve until the date of the 2016 Annual Meeting or, if earlier, until his or her successor has been elected and qualified.

The Board unanimously recommends that you vote "FOR" the re-election of each of the above named nominees to the Board of Directors. See "PROPOSAL 2: RE-ELECTION OF FLORIDA BLUE DIRECTORS" in this Proxy Statement.

PROPOSAL 1:

THE REORGANIZATION

Overview

The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdco level, while providing similar flexibility as for-profit competitor structures. For example, by transferring the ownership of certain subsidiaries and assets from Florida Blue to Group, the Reorganization allows the entire enterprise to be more nimble because Group will have access to more capital that is not subject to investment limitations imposed on insurance companies such as Florida Blue. It will allow for better growth and scalability of Florida Blue's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise and increase Florida Blue's ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue's mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue's mission, remain financially strong for its Members and substantially enable core transformation and diversification, while retaining the long-term, consistent focus of a mutual company.

Members should carefully consider the elements of the Reorganization including the risks inherent in the Plan, as well as the alternatives to the Plan, which were considered by the Board of Directors. The full details of the Plan are included as Annex A.

Recommendation of Board of Directors

Florida Blue's Board of Directors believes that the Reorganization is fair and equitable to the policyholders of Florida Blue. The Board unanimously recommends that policyholders vote "FOR" approval of the Plan and the transactions contemplated thereby.

In its deliberations regarding the Plan, the Board of Directors considered the opinion of J.P. Morgan. J.P. Morgan provided an opinion, dated May 28, 2013, to the Board of Directors to the effect that, as of the date of the opinion and subject to the assumptions, qualifications and limitations expressed in the opinion, the exchange of membership interests in Florida Blue for membership interests in Mutual Holdco pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of Florida Blue, taken as a group. A copy of the written opinion of J.P. Morgan is included in this Proxy Statement as Annex C. Members are encouraged to read the opinion in its entirety, including the assumptions, qualifications and limitations expressed therein.

DESCRIPTION OF THE REORGANIZATION

The following description of certain aspects of the Reorganization, including the principal provisions of the Plan, is qualified in its entirety by reference to the other information contained elsewhere in this Proxy Statement, including the Annexes and documents incorporated by reference in this Proxy Statement. The full text of the Plan with all Exhibits is set forth as Annex A and attached to this Proxy Statement. Eligible Members are encouraged to read the Plan in its entirety.

Any capitalized terms not otherwise defined in this Proxy Statement shall have the meanings ascribed to them in the Plan.

The Reorganization

On the Effective Date, the following events will occur:

- Mutual Holdco's Articles of Incorporation and Bylaws attached to the Plan as Exhibit A and Exhibit B thereto, respectively, shall become effective;
- Florida Blue's Second Amended and Restated Articles of Incorporation shall be amended and restated for purposes of reorganizing as a stock insurance company of the same name, under a mutual insurance holding company system and the Second Amended and Restated Bylaws of Florida Blue shall become effective, each as set forth in Exhibits C and D to the Plan, respectively;
- Florida Blue shall issue shares of its common stock to Mutual Holdco in an amount constituting 100 percent of the total number of issued and outstanding shares of common stock of Florida Blue;
- The membership interests of the Members of Florida Blue shall become membership interests in Mutual Holdco in accordance with the Articles of Incorporation and Bylaws of Mutual Holdco and the Members' membership interests in Florida Blue shall be extinguished;
- Mutual Holdco shall be admitted as a new member of the Blue Cross and Blue Shield of Florida Foundation, Inc. (the "Foundation") a not-for-profit established by Florida Blue in 2001 to improve the health and well-being of Floridians and their communities through strategic grant-making in five focus areas: improving access to health care, consumer health, quality and safety of patient care, quality of life and the health care system;
- Group's Articles of Incorporation and Bylaws in the forms attached to the Plan as Exhibit E and Exhibit F to the Plan, respectively, shall become effective;
- Florida Blue shall contribute all of its shares in Diversified Service Options, Inc., Navigy Holdings, Inc., and Diversified Health Services, Inc. (the three entities collectively, the "Subsidiaries"), constituting 100 percent of the total number of issued and outstanding shares of each of them, and certain real estate, property and equipment, stocks and bonds of Florida Blue, to Group, and Group shall assume the liabilities and obligations associated therewith;
- Florida Blue shall distribute 100 percent of its shares of common stock of Group to Mutual Holdco; and
- subsequent to the Reorganization, Florida Blue may transfer certain of its employees to Group subject to providing notice to the Office.

See the diagrams provided in "SUMMARY: Before the Reorganization" and "SUMMARY: After the Reorganization" in this Proxy Statement.

The Reorganization will separate the contract rights and membership interests of policyholders so that their insurance policy contract rights will remain with Florida Blue, while their membership interests will become membership interests in Mutual Holdco. Pursuant to the Plan, each Florida Blue Member whose Policy continues in force as of the Effective Date will become a member of Mutual Holdco, and the Members' membership interests in Florida Blue will be extinguished. Owners of Policies issued by Florida Blue after the Effective Date of the Plan will automatically become members of Mutual Holdco in accordance with the Articles of Incorporation and Bylaws of Mutual Holdco. The membership interests in Mutual Holdco will be substantially the same as those in Florida Blue prior to the Reorganization. Specifically, membership interests will include:

- the right to vote at annual and special member meetings of Mutual Holdco;

- the right to receive distributions of assets from Mutual Holdco in the event of the ultimate dissolution or liquidation of Mutual Holdco after liabilities have been satisfied; and
- the right to participate under Florida law in the event that Mutual Holdco later demutualizes.

Mutual Holdco will not make any distributions or payments of income, dividends or profits directly to members, except in the event of its dissolution or liquidation, pursuant to a demutualization, or as expressly approved by the Office. Members will remain members of Mutual Holdco as long as their Policies with Florida Blue remain in force.

Reasons for the Reorganization

The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdco level, while providing similar flexibility as for-profit competitor structures. For example, by transferring the ownership of certain subsidiaries and assets from Florida Blue to Group, the Reorganization allows the entire enterprise to be more nimble because Group will have access to more capital that is not subject to investment limitations imposed on insurance companies such as Florida Blue. It will allow for better growth and scalability of Florida Blue's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise and increase Florida Blue's ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue's mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue's mission, remain financially strong for its Members and substantially enable core transformation and diversification, while retaining the long-term, consistent focus of a mutual company. The Reorganization is expected to:

- permit Florida Blue to realize the benefit of preserving the Members' Membership Interests at the Mutual Holdco level, including the right to elect directors of Mutual Holdco and vote on amendments to the Articles of Incorporation of Mutual Holdco;
- allow the declaration and payment of dividends from subsidiaries for capital deployment within the mutual insurance holding company system;
- permit the mutual insurance holding company system to make investments that may otherwise be limited under the present corporate structure;
- enhance Florida Blue's structural flexibility and support for its current and future business opportunities, including potential mergers and acquisitions; and
- enable access to capital and debt markets if required by future business developments.

Specifically, the Board believes that Reorganization under the Plan will be beneficial for both Florida Blue and its Members for the following reasons:

Maintaining the Benefits of Mutuality and Company Mission. Reorganizing Florida Blue into a stock insurance company that is owned by a not-for-profit mutual insurance holding company in which Florida Blue's policyholders are members enables Florida Blue to achieve the benefits described below while continuing Florida Blue's mission to improve the health and wellness of its Members. By strengthening a not-for-profit enterprise, the Reorganization balances out the industry between insurers that have for-profit and not-for-profit missions, resulting in benefits to Florida Blue's policyholders and consumers generally.

Enhanced Ability to Deploy Available Capital. Under a mutual insurance holding company structure, capital in excess of statutory requirements may be declared and paid as a dividend by Florida Blue and other

regulated subsidiaries and non-regulated subsidiaries within the structure, which will enable the use of such capital under appropriate regulation relative to their business purpose. In addition, the Plan of Reorganization contemplates that the Subsidiaries will no longer be subsidiaries of Florida Blue but will instead be subsidiaries of Group.

Greater Flexibility in Pursuing and Structuring Business Combinations. Under a mutual insurance holding company structure, Mutual Holdco will have greater flexibility to respond to today's competitive market by creating a more level playing field with Florida Blue's current for-profit competitors. Mutual Holdco will have the ability to pursue mergers and acquisitions with stock companies and mutual insurance companies as well as non-profit health plans. On the other hand, today, Florida Blue may only acquire a target mutual insurer by merger into a single entity. The ability to combine with a mutual insurance company in a way that preserves the identities and cultures of both companies will be less disruptive than a statutory merger to the relationships between the companies and their respective policyholders and will make Florida Blue a potentially more attractive acquirer. Further, under a mutual insurance holding company structure, Mutual Holdco will be able to use the stock of Florida Blue, or another stock company directly or indirectly owned by Mutual Holdco, as currency in making acquisitions of stock companies. The ability to issue stock may allow Mutual Holdco to pursue transactions that are tax-free to prospective sellers of target businesses, which sellers might find more attractive than taxable cash transactions. As an added benefit, acquisitions made under a mutual insurance holding company structure could receive more favorable accounting treatment than acquisitions made under the present form.

Increased Access to Capital. Mutual Holdco, which is not an insurance company, will be a more attractive issuer in the capital and debt markets, which potentially may increase the company's financial strength, create greater opportunities for diversification and growth and allow greater flexibility to transform the health care system to deliver a broader array of quality products and services to Members.

Effective Date of the Reorganization

The Reorganization will become effective on January 1, 2014, provided that: (1) the Plan is approved by the requisite vote of the Eligible Members; and (2) the other conditions to the Reorganization are satisfied. Florida Blue anticipates that the Reorganization will be consummated on January 1, 2014, but, should more time be necessary to satisfy the conditions to the Reorganization, the Plan provides that the Reorganization may become effective at a later time. If for any reason the Reorganization is not consummated at all, Florida Blue will remain a not-for-profit mutual insurer and none of the transactions contemplated by the Plan shall occur. See "—Conditions to Reorganization" in this Proxy Statement.

Adoption and Amendment of Articles of Incorporation and Bylaws for Purposes of Reorganization of Florida Blue as a Stock Insurance Company

Pursuant to the Plan, after certifying that the requisite vote of Eligible Members was sufficient to approve the Plan, Florida Blue will be reorganized into a stock insurance company by filing with the Florida Secretary of State the fully executed Second Amended and Restated Articles of Incorporation of Blue Cross and Blue Shield of Florida, Inc., which is attached to the Plan as Exhibit C, and is set forth in Annex A to this Proxy Statement. In addition, the Amended and Restated Bylaws of Florida Blue shall become effective in the form attached to the Plan as Exhibit D and set forth in Annex A to this Proxy Statement. Members are encouraged to read all of these documents in their entirety.

The Bylaws of Florida Blue are similar to the current Bylaws of Florida Blue, except that it will be organized as a stock insurance company whose initial shareholder will be Mutual Holdco. The Members of Florida Blue prior to the Reorganization, on the other hand, are currently made up of the policyholders of Florida Blue.

Following the Effective Date, while the Members of Mutual Holdco will have certain voting rights at the Mutual Holdco level as described on page 17 below, the Members shall have no right to vote upon the issuance of additional shares of common stock of Florida Blue.

Comparison of Articles of Incorporation and Bylaws of Mutual Holdco with Current Bylaws of Florida Blue

Mutual Holdco will be organized as a mutual insurance holding company under Florida law. The proposed Articles of Incorporation and Bylaws of Mutual Holdco are Exhibits A and B to the Plan, respectively, and are set forth in Annex A to this Proxy Statement. Members are encouraged to read the proposed Articles of Incorporation and Bylaws of Mutual Holdco in their entirety.

The proposed Articles of Incorporation (sometimes referred to here as the “Articles”) and Bylaws of Mutual Holdco are substantially the same as the current Articles and Bylaws of Florida Blue. In particular, the policyholders of Florida Blue will constitute the members of Mutual Holdco, just as the policyholders of Florida Blue currently are the members of Florida Blue and will enjoy the same voting rights with respect to Mutual Holdco as they previously had in Florida Blue. Certain provisions of the proposed Articles and Bylaws are summarized below. This summary is not complete and it does not identify all provisions that may, under given circumstances, be material for Members, and is subject in all respects to the Florida Statutes and the proposed Articles of Incorporation and Bylaws of Mutual Holdco.

Organization

Mutual Holdco is formed for the purpose of owning at least a majority of the voting shares and economic value of the capital stock of Florida Blue, either directly or indirectly, and doing all other acts permitted or not prohibited for a mutual insurance holding company. Mutual Holdco will not be engaged in the business of insurance. By contrast, Florida Blue is an insurance company formed for the purpose of providing health insurance coverage to its Members.

Board of Directors

Pursuant to its current Bylaws, Florida Blue is governed by a Board of Directors that must include no less than five individuals who serve staggered three-year terms. There are currently ten individuals serving on Florida Blue’s Board of Directors. The provisions with respect to the Board of Directors in the proposed Bylaws of Mutual Holdco are identical to the provisions in the current Bylaws of Florida Blue. The initial Directors of Mutual Holdco shall consist of the same ten individuals who serve as the Directors of Florida Blue on the Effective Date.

Corporate Officers

The Bylaws of Mutual Holdco authorize the election or appointment by the Board of Directors of corporate officers, including a Chairman, Vice Chairman, CEO, President, Treasurer and Secretary. The provisions with respect to officers in the proposed Bylaws of Mutual Holdco are identical to those in the current Bylaws of Florida Blue.

Member Meetings

Both the Bylaws of Mutual Holdco and the current Bylaws of Florida Blue provide for annual member meetings and special member meetings.

Amendment of Bylaws

The current Bylaws of Florida Blue provide that amendments of the Bylaws may be made by the Board of Directors of Florida Blue at any meeting of the Board of Directors, or by the Members at any regular or special meeting of the Members of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, rescission, or other changes. With respect to amendments, the proposed Bylaws of Mutual Holdco are identical to the current Bylaws of Florida Blue.

Comparison of Articles of Incorporation and Bylaws of Group with Current Bylaws of Florida Blue

Group will be organized as a stock corporation under Florida law. The proposed Articles of Incorporation and Bylaws of Group are Exhibits E and F to the Plan, respectively, and are set forth in Annex A to this Proxy Statement. Members are encouraged to read the proposed Articles of Incorporation and Bylaws of Group in their entirety.

Due to the fact that Group is a stock corporation and not an insurance company, the proposed Articles of Incorporation and Bylaws of Group differ from the current Articles of Incorporation and Bylaws of Florida Blue. Principal differences are summarized below. This summary is not complete and it does not identify all the differences that may, under given circumstances, be material for Members and is subject in all respects to the Florida Statutes and the proposed Articles of Incorporation and Bylaws of Group.

Organization

Group is being formed as a stock corporation in order to hold certain subsidiaries and assets transferred from Florida Blue under the Plan. After the Effective Date, Group will be a wholly owned subsidiary of Mutual Holdco. As such, Florida Blue policyholders will indirectly control Group through the right to elect the Board of Directors of Mutual Holdco, which then has the right to elect the Directors of Group. Group will not be engaged in the business of an insurance company, although it will own, through its wholly owned subsidiary Diversified Health Services, Inc., some entities that are insurance companies. By contrast, Florida Blue was formed as a mutual insurer for the purpose of providing health insurance coverage to participating Members.

Membership; Ability to Issue Stock

Today, as a not-for-profit mutual insurer, Florida Blue is not authorized by law to issue shares of stock. Its Members are the policyholders of Florida Blue. Members are entitled to a number of votes equal to the monthly premium dollars attributed to such Member as determined in the month immediately preceding the record date of a meeting. By contrast, Group will be authorized by its Articles of Incorporation to issue stock. Upon consummation of the Reorganization, 100 percent of the issued and outstanding shares of common stock of Group will be issued to Mutual Holdco. Each share of common stock of Group will confer one vote per share for purposes of the election of directors and other matters submitted for the approval of shareholders.

The proposed Articles of Incorporation of Group provide that a majority of the shares of common stock of Group shall be owned at all times, either directly or indirectly through one or more intermediate holding companies, by Mutual Holdco, provided, however, that this requirement may be eliminated upon the demutualization of Mutual Holdco or upon a vote of the members of Mutual Holdco.

Election of the Board of Directors and Voting Generally

Under the proposed Bylaws of Group, each share of common stock of Group will confer one vote for the election of directors and all other matters subject to a vote of shareholders. Accordingly, the number of shares of common stock held by a shareholder of Group will determine the relative voting power of that shareholder. By contrast, under Florida Blue's present Bylaws, each Member is entitled to a number of votes equal to the monthly premium dollars attributed to such Member as determined in the month immediately preceding the record date of a meeting. It should be noted that, even though a shareholder of Group can acquire more voting power by acquiring more shares, under the Plan, Mutual Holdco will initially own all shares of Group. There are currently no plans to issue additional shares of Group common stock to outside investors and, after the Plan is consummated, any issuance of additional Group common stock to outside investors will require the approval of the Office.

Quorum at Meetings of Members/Shareholders

Under Florida Blue's present Bylaws, a quorum at all meetings of Members consists of all Members present and voting in person or by proxy. Under the proposed Articles of Incorporation of Group, holders of a majority of the outstanding shares of Group entitled to vote will constitute a quorum. Because, under the Plan,

Mutual Holdco will initially own all of the voting shares of Group, Mutual Holdco acting alone will be able to satisfy the quorum requirement or prevent a quorum from being present at any meeting of shareholders of Group.

Amendment of Bylaws

The current Bylaws of Florida Blue provide that amendments of the Bylaws may be made by the board of directors of Florida Blue at any meeting of the Board of Directors, or by the Members at any regular or special meeting of the Members of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, rescission, or other changes. The proposed Bylaws of Group may be amended by the board of directors or by the affirmative vote of a majority of the shareholders voting at a meeting of shareholders at which a quorum is present, in person or by proxy.

Post-Reorganization Member Voting Rights

The members of Mutual Holdco generally will have the right to vote only on the election of Mutual Holdco's directors, amendment of its Articles of Incorporation and certain types of extraordinary transactions. These voting rights do not differ from the Members' current voting rights with respect to Florida Blue. It is impractical to attempt to catalogue all of the various types of hypothetical transactions upon which the members of Mutual Holdco would have the right to vote in the future, and each transaction would have to be evaluated to determine whether the Members are entitled to or should have the right to vote. Currently, Florida law would provide the members of Mutual Holdco with the right to vote on matters that include, but are not limited to, the following:

- Mergers and acquisitions involving Mutual Holdco or Florida Blue with other entities. *See* § 628.715, Florida Statutes.
- Amendment of the Articles of Incorporation of Mutual Holdco (but not of Florida Blue or Group). *See* § 628.719, Florida Statutes.
- Conversion of Mutual Holdco to a stock holding company. *See* § 628.733, Florida Statutes.

Indemnification

The proposed Bylaws of Florida Blue, Mutual Holdco and Group provide the same indemnification coverage as the current Bylaws of Florida Blue. These Bylaws generally provide for the indemnification of any person who is threatened with or made a party to any proceeding brought to impose upon him or her a liability or penalty for an act alleged to have been committed by him or her in his or her capacity as a director of the company or an officer employee or agent of the company to the extent the company has agreed to grant such indemnity or by reason of the fact that he or she is or was serving at the request of the company as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise and as to whom the company has agreed to grant such indemnity, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. A proceeding includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal. Unless indemnification is ordered by the court before which the proceeding is held, the determination of whether the standards of conduct giving rise to indemnity have been met shall be made by the applicable corporation in accordance with relevant Florida statutory provisions.

Litigation Concerning Mutual Insurance Holding Company Reorganizations

Several mutual insurance companies that have proposed to reorganize to a mutual insurance holding company structure have been sued by groups of policyholders alleging that this structure is unfair to policyholders. These lawsuits have centered around the fairness of the plan due to failure to pay consideration to policyholders and, in some cases, the level of disclosure provided to policyholders regarding alternatives and potential disadvantages to

the proposed structure. Most of those lawsuits have not prevented the reorganization of those mutual insurance companies to a mutual insurance holding company structure.

Effects of Reorganization

Business of Florida Blue

The Reorganization of Florida Blue as a stock insurance company under a mutual insurance holding company structure is not expected to result in material changes to its insurance operations, except as otherwise identified in the Plan and this Proxy Statement.

The Reorganization will not alter Members' relationships with their agents.

After the Reorganization, Mutual Holdco and Florida Blue will be subject to the regulation of the Office of Insurance Regulation under applicable Florida law. See “—REGULATION OF FLORIDA BLUE AND MUTUAL HOLDCO” in this Proxy Statement.

Existing Policies

The coverage terms and provisions of the Policies held by Members will not be changed as a result of the Reorganization. In addition, the guaranteed benefits and the rights of Members specified in their existing Policies will not be reduced or altered in any way, and the premiums required to be paid as specified in those Policies will not be increased as a result of the Reorganization. Florida Blue will remain fully obligated under all of Florida Blue's Policies.

Membership Interests

Prior to the Reorganization, Members have both contract rights under their Policies and membership interests in Florida Blue. The principal contractual right of Members under the Policies is the right to receive the benefits specified in their Policies in accordance with the terms and provisions thereof. The principal membership rights of Members include the right to vote on certain matters involving Florida Blue and the right to receive distributions from Florida Blue in the event of the ultimate dissolution, liquidation or demutualization of Florida Blue.

As a result of the proposed Reorganization, on the Effective Date, the membership interests and the contract rights of policyholders will be separated. Contract rights will remain with Florida Blue. Members' membership interests in Florida Blue, however, automatically will become membership interests in Mutual Holdco, and membership interests in Florida Blue will be extinguished. Members owning Policies in force at the Effective Date will have their membership interests in Florida Blue replaced by membership interests in Mutual Holdco and will remain members of Mutual Holdco for as long as their Policies with Florida Blue remain in force. Each person who becomes a policyholder of Florida Blue after the Effective Date of the Plan will automatically become a member of Mutual Holdco and will have membership interests in Mutual Holdco as long as the person's Policy with Florida Blue remains in force. Separate certificates evidencing the membership interests in Mutual Holdco will not be issued.

A member of Mutual Holdco will not be able to transfer his, her or its membership interest in Mutual Holdco. A membership interest in Mutual Holdco will terminate automatically upon the lapse or termination of the Member's Florida Blue Policy. No member of Mutual Holdco will be personally liable, as a member, for the debts, liabilities or obligations of Mutual Holdco or subject to assessments of any kind related thereto.

The Reorganization would not preclude a subsequent demutualization of Mutual Holdco at some future date if the board of directors of Mutual Holdco determined that a demutualization is appropriate. Mutual Holdco may not demutualize without the approval of the Office and the Office may not approve any plan to demutualize unless it is subject to approval by members and the corporate equity of each member is determinable in accordance

with statutory requirements. Florida Blue's Board of Directors, which shall constitute the initial Board of Directors of Mutual Holdco, does not have any current plans to demutualize Mutual Holdco.

Directors and Executive Officers

If Florida Blue's directors remain unchanged between the date of this Proxy Statement and the Effective Date, the Board of Directors of Florida Blue upon the Reorganization will consist of Patrick J. Geraghty, Robert M. Beall, II, Catherine P. Bessant, Steven T. Halverson, Leerie T. Jenkins, Jr., Tracy A. Leinbach, John B. Ramil, Frank Scruggs, Barbara S. Thomas, and Gonzalo F. Valdes-Fauli.

Upon the Reorganization, the Board of Directors of Mutual Holdco and Group, and their respective terms of office will mirror the Board of Directors and terms of office of the Florida Blue Board immediately prior to the Effective Date: Patrick J. Geraghty – 2014, Robert M. Beall, II – 2015; Catherine P. Bessant – 2016; Steven T. Halverson – 2016; Leerie T. Jenkins, Jr. – 2014; Tracy A. Leinbach – 2015; John B. Ramil – 2014; Frank Scruggs – 2015; Barbara S. Thomas – 2016; and Gonzalo F. Valdes-Fauli – 2016. Mutual Holdco will also have Committees of the Board of Directors that are identical to Florida Blue's current Committees of the Board of Directors: the Executive Committee, the Board Governance and Nomination Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee.

For information regarding the current directors of Florida Blue, see "BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.—Directors" in this Proxy Statement.

The Company has not yet made a final determination as to which officers of Florida Blue will become officers of Mutual Holdco or Group but will make such a determination prior to the Effective Date.

Director Compensation

The Reorganization will not result in changes in the compensation paid to Florida Blue directors.

Corporate Governance

Florida Blue, as a not-for-profit mutual insurer, is not authorized to issue capital stock and, therefore, has no shareholders. Florida Blue's Board of Directors currently is elected by the Members of Florida Blue. After the Reorganization, Florida Blue will be authorized to issue capital stock. In addition, as required by Florida law, Mutual Holdco must at all times control Florida Blue through the direct or indirect ownership of at least a majority of the voting shares and economic value of the capital stock of Florida Blue. Florida Blue may issue stock in an amount less than 50 percent of the issued and outstanding stock of Florida Blue to outside investors, although the issuance of any stock will be subject to the prior approval of the Office, as provided in the Order. Further, Mutual Holdco must at all times own at least a majority of the voting shares and a majority of the economic value of Florida Blue, therefore, Mutual Holdco will be able, ultimately, to control the outcome of any matters presented to the Members of Florida Blue. It should be noted that after consummation of the Plan, even though a shareholder of Florida Blue can acquire more voting power by acquiring more shares, under the Plan, Mutual Holdco will initially own all shares of Florida Blue. There are currently no plans to issue additional shares of Florida Blue common stock to outside investors and, after the Plan is consummated, any issuance of additional Florida Blue common stock to outside investors will require the approval of the Office.

Mutual Holdco will not be authorized to issue capital stock and will not have any shareholders. After the Reorganization, Mutual Holdco will be under the direction of its Board of Directors and all voting rights will be held by policyholders who become the members of Mutual Holdco. Such members will be entitled to vote on all matters requiring action by the members, including the election of Directors. At the Effective Date, the owners of Policies issued by Florida Blue will be the exclusive members of Mutual Holdco and, thereafter, owners of such Policies issued from time to time by Florida Blue will also automatically become members of Mutual Holdco. Owners of such Policies will remain members as long as Policies that are owned by them as policyholders of Florida Blue remain in force. See "PROPOSAL 1: THE REORGANIZATION—Effects of Reorganization—*Membership Interests*" in this Proxy Statement.

Federal Income Tax Consequences

Introduction

The following is a summary of the most significant federal income tax consequences under current law to Members, Florida Blue, Group and Mutual Holdco from the Reorganization. It is not intended to be a complete discussion of all tax consequences that may be relevant to a particular Member. For example, this summary does not address any federal estate tax or any state or local tax considerations. Accordingly, each policyholder may wish to consult a tax advisor to determine the federal, state, local and any applicable foreign tax consequences of the Reorganization to their particular circumstances, including matters not addressed in this Proxy Statement and the effects of any changes in tax laws or regulations after the date hereof.

Consequences to Florida Blue, Mutual Holdco and Group

In the Reorganization, Florida Blue will form a Florida-domiciled mutual insurance holding company, Mutual Holdco, the policyholders' membership interests in Florida Blue will become membership interests in Mutual Holdco, and Florida Blue will become a stock insurance company. Florida Blue's reorganization from a mutual insurer to a stock insurance company will qualify as a tax-free reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code (the "Code"). Florida Blue will be a "party to a reorganization" within the meaning of Section 368(b) of the Code.

As part of the Reorganization, Florida Blue will contribute the stock of the Subsidiaries and certain assets to Group and then distribute the stock of Group to Mutual Holdco, Florida Blue's sole shareholder. Florida Blue believes that its contribution of the Subsidiaries and assets to Group and distribution of all of its common stock of Group as described in the Plan will be a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code.

Consequences to Members

Members will not be subject to U.S. federal income tax as a result of the termination of their membership interests in Florida Blue or their receipt of membership interests in Mutual Holdco. The holding period that a policyholder will have in its Mutual Holdco membership interest will include the period the policyholder held his or her membership interest in Florida Blue (provided that the Florida Blue membership interest was held on the Effective Date as an asset for which capital gain or loss could be recognized).

Conditions to Reorganization

The Reorganization is subject to the satisfaction of each of the conditions set forth below:

Member Approval

As required by the Plan, and in compliance with Florida law, the Plan and the transactions contemplated thereby must be approved by the affirmative vote of at least a majority of votes cast by Eligible Members voting in person or by proxy at the Annual Meeting. Notwithstanding Member approval of the Plan, the consummation of the Reorganization may be subject to certain conditions established by the Office.

Regulatory Approval

The Florida Statutes and the Plan require that the Plan be approved by the Office. Florida Blue filed the Plan and related documents with the Office. The Office ordered a public hearing on Florida Blue's proposed Reorganization, including the terms of the Plan, at which Florida Blue Members, persons claiming to be adversely affected by the Plan and any others wishing to comment on the Plan were provided an opportunity to appear and be heard. The public hearing was conducted on July 25, 2013, in Miami, Florida. A video recording of the public hearing is available for viewing at the following Internet address: www.floir.com/Sections/LandH/BCBSHearing.aspx.

The Florida Statutes provide that the Office may not approve a plan of reorganization unless it finds that it is fair and equitable to the Members. Following the public hearing, the Office issued an order approving the Plan (the “Order”), a copy of which is attached to this Proxy Statement as Annex B.

The Order contains many standard representations made by Florida Blue and its subsidiaries that are Florida insurers as well as conditions to the Office’s approval of the Reorganization. In addition, pursuant to the Order, Florida Blue has agreed that neither it nor Group may issue any stock without the prior written approval of the Office and that Group shall not pledge the stock or membership interests of any of the Subsidiaries that are subject to Office regulation without the prior written approval of the Office. In the event that Florida Blue fails to adhere to one or more of the terms or conditions contained in the Order, the Office could revoke the certificates of authority to issue insurance in the State of Florida of Florida Blue and the subsidiaries that are Florida insurers. The Order may be amended upon the mutual agreement of the Office and the Florida Blue parties thereto.

In addition to reviewing the fairness opinion rendered to the Board by J.P. Morgan, which the Office believes is different from the statutory standard of Part III, chapter 628 of the Florida Statutes, the Office engaged Raymond James & Associates, Inc. (“Raymond James”) to act as independent advisors in reviewing the proposed Reorganization. Raymond James provided an opinion on August 8, 2013 to the effect that the Reorganization is fair and equitable, from a financial point of view, to the Members of Florida Blue at the time of consummation of the Reorganization.

Federal Income Tax Matters

It is a condition to the consummation of the Reorganization that Florida Blue receive on or before the Effective Date a private letter ruling indication from the IRS and/or one or more tax opinions of its independent tax advisor substantially to the effect that:

(a) Members will not recognize gain or loss for federal income tax purposes as a result of the consummation of the transactions described in Section 7.02 of the Plan;

(b) the summary of federal income tax consequences to Members of the consummation of the Plan set forth in this proxy statement provided to Members in connection with their vote on the Plan is correct and complete in all material respects as of the date thereof and, except for any changes in law, regulations or official interpretations thereof the effect of which the Board, in its discretion, has determined (taking into account any remedial action the Board may authorize or direct) to be not adverse to the interests of the Members in any material respect, remains correct and complete as of the Effective Date;

(c) (i) Florida Blue’s reorganization from a not-for-profit mutual insurer to a stock insurance company as described in Section 7.02 of the Plan will be a reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code; (ii) Florida Blue will be a “party to the reorganization” within the meaning of Section 368(b) of the Code; and (iii) the formation of Mutual Holdco as contemplated by the Plan will not be subject to tax under the Internal Revenue Code; and

(d) Florida Blue’s contribution of the subsidiaries and non-subsidiary assets to Group and distribution of all of its common stock of Group to Mutual Holdco as described in Section 7.02 of the Plan will be a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code.

Securities Laws Matters

It is a condition to the effectiveness of the Plan that Florida Blue receive a “no-action” letter from the Securities and Exchange Commission or an opinion of legal counsel to the effect that the membership interests of Mutual Holdco do not require registration under the Securities Act of 1933, as amended or the Exchange Act of 1934, as amended.

Amendment or Withdrawal of Plan

The Plan permits Florida Blue to amend the Plan by a majority vote of the Board in response to the comments or recommendations of the Office or any other state or federal agency or governmental entity before any solicitation of proxies from Members to vote on the Plan or at any time with the consent of the Office, except that any material amendment after the Members' approval shall require the Members' approval. The Plan attached as Annex A reflects the Plan approved by the Board on May 28, 2013, as amended in response to the Office's comments and recommendations. The Plan may be terminated by the Board at any time before Members vote on the Plan and, otherwise, at any time with the consent of the Office.

In the event that the Office determines the Plan cannot be consummated as submitted or any material change occurs in the law, statutes, or regulations or other requirements imposed by the Office or another a regulatory or legislative body, which may have a material adverse effect on the intent of the Plan, then the Board's authorization of the Plan will be withdrawn and the approval of the Board must be sought in order to consummate the Reorganization.

The Articles of Incorporation and Bylaws of Florida Blue, Mutual Holdco and Group adopted pursuant to the Plan may be further amended after the Effective Date pursuant to their terms and in compliance with applicable law.

Disclosure of Risk Factors

The Board strongly encourages you to carefully review the risk factors identified in Section 3.04 of the Plan, "Risks of the Reorganization." In addition to the risks of the Reorganization described in the Plan, you should also be aware of the following:

- The ability of Mutual Holdco to engage in any meaningful business may depend in part upon the receipt of sufficient funds from Florida Blue in the form of shareholder distributions. Such payments are regulated under state insurance laws.
- Mutual Holdco and/or its subsidiaries other than Florida Blue may take advantage of business opportunities and engage in enterprises which would otherwise be unavailable to Florida Blue. There can be no assurance that any such business opportunity will be profitable.
- Independent rating organizations periodically review the ratings assigned to stock and mutual insurance companies. The Plan will result in Florida Blue's surplus being reduced by \$1.6 billion. It is always possible that a rating organization could take adverse action regarding Florida Blue's ratings, and such adverse action could affect Florida Blue's ability to obtain credit and to attract new business. Today, Florida Blue maintains the strongest financial ratings granted to health insurers and will make every commercially reasonable effort to maintain those ratings in the future.
- Following the Effective Date, while the Members will have voting rights at the Mutual Holdco level as described on page 17, they generally shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue, in connection with a public or private offering of such stock.
- Prior to the Reorganization, the investments of Florida Blue are subject to the limitations of Part II, Chapter 625, Florida Statutes, which generally restricts the investments of insurance companies to those types of investments which are relatively liquid and stable. A primary purpose of those investment limitations is to ensure that insurance companies are readily able to access their invested funds to pay claims and expenses as necessary. After the Reorganization, Florida Blue will continue to be subject to the investment limitations of Part II, Chapter 625, Florida Statutes, but Mutual Holdco, Group and other subsidiaries of Mutual Holdco that are not insurance companies will not be subject to those investment limitations. The Board believes that the benefit

of expanding Mutual Holdco's potential investment opportunities outweighs any theoretical risk to Members.

- Members who vote against the Reorganization will not receive any special or additional rights as compared to Members who vote for the Reorganization.

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

General

Founded in 1944, the Florida Hospital Service Corporation, the forerunner of Blue Cross of Florida, began operations in Jacksonville with a staff of four. In 1946, the Florida Medical Services Corporation was formed, eventually becoming Blue Shield of Florida. The two companies consolidated in 1980 to form Blue Cross and Blue Shield of Florida, Inc., which started doing business as Florida Blue in April 2012. Florida Blue remains the oldest and largest health plan insurer in the state of Florida as it transitions into a health solutions company.

Today, Florida Blue is one of Florida's largest employers with approximately 9,500 of its nearly 11,000 employees located in the state. Florida Blue and its family of subsidiaries serve more than 15.5 million people in 16 states. In its primary health business, Florida Blue serves more than 4 million Members, which represents a 30 percent share of the overall Florida health insurance market.

In 2012, Florida Blue achieved its 24th consecutive year of positive financial performance. The company reported financial results for 2012 with total revenue of \$9.1 billion and consolidated net income of \$217 million.

Products

Florida Blue offers a broad choice of affordable, health-related products and services through the parent company, its family of subsidiaries and joint ventures. This flexible portfolio of health care products includes Preferred Provider Organization (PPO) products such as BlueOptions Group and PPO Group, Health Maintenance Organization (HMO) products such as Health Options, Inc. and Florida Health Care Plan, Medicare Advantage, Medicare Supplement, Individual BlueOptions, a federal employees health benefit program (FEHBP), National Blue Card Program products, commercial Medicare and Medicaid, life and disability, dental, long-term care, workers' compensation, specialty benefits management, data analytics & warehousing, health & wellness solutions and strategic provider models. In 2012, Florida Blue applied to enter the Medicaid managed care service market in Florida through a joint venture called Florida True Health.

Marketing and Distribution

Florida Blue distributes its products through contracted insurance agencies in Florida as well as through direct to consumer channels. Florida Blue is committed to the independent agency system and believes that cultivating a loyal base of independent agents is important for its present and future success.

Investments

Management's investment objective is to generate the highest net return possible for a specified risk level. across-sectional team of senior leaders determines the specified risk level based on an assessment of the Company's financial condition, assumptions for future operating-environment, and capital-market expectations.

Legal Proceedings

Two national antitrust class actions, brought on behalf of subscribers and providers, are pending in federal court in Birmingham Alabama against all Blue Plans, including Florida Blue, and the Blue Cross and Blue Shield Association. Plaintiffs claim that the Association and member Blue Plans violate state and federal antitrust laws by conspiring to perpetuate and strengthen their dominant market positions and restrict competition within their defined geographic markets. Plaintiffs allege that the Blue Cross Blue Shield business model results in higher premiums for

employers and members and lower payments to providers. Florida Blue categorically denies each allegation asserted by plaintiffs and is vigorously defending these cases.

Like other U.S. insurers, Florida Blue is a respondent in a number of other legal proceedings. Florida Blue is a defendant in actions arising out of its business and is, from time to time, involved in various governmental and administrative proceedings. Florida Blue does not believe that any liability that may result from such actions is likely to have a material adverse effect on its business, financial position or results of operations.

Directors

The name and biographical information of each of the current directors of Florida Blue are set forth below.

Patrick J. Geraghty. Mr. Geraghty is chairman of the Board and CEO. Prior to joining Florida Blue in 2011, Mr. Geraghty was president and CEO of Blue Cross and Blue Shield of Minnesota (BCBSMN) where he also served on its board of trustees and the BCBSMN Foundation board.

Mr. Geraghty also serves as a board member for a diverse group of organizations including the National Institute of Health Care Management and Prime Therapeutics. He is a member of the Florida Council 100 and has a long-standing affiliation with the United Way Tocqueville Society. He chaired the Minnesota chapter of the CEOs Against Cancer and was selected the National CEO of the Year for 2011 by the American Cancer Society.

Robert M. Beall, II. Mr. Beall is chairman of Beall's, Inc. The corporation, through its subsidiaries, operates more than 560 retail stores from California to Florida. He has served on the Florida Blue Board since 1994 and serves on the board governance and nominating committee, and the personnel and compensation committee.

Mr. Beall also serves on the boards of directors of NextEra Energy and SunTrust Banks, Inc. He is a past president of the Florida Chamber of Commerce, a founding member of the Retail Executive Advisory Board of the University of Florida and serves on the executive committee of the National Retail Federation. He was inducted into the Tampa Bay Business Hall of Fame in 1993 and is a recipient of the University of Florida Distinguished Alumnus Award.

Catherine P. Bessant. Ms. Bessant is the global technology and operations executive at Bank of America, which serves more than 58 million clients through operations in more than 40 countries. She is also a member of the company's executive management team. She was elected to the Florida Blue Board in 2001 and is the lead director and vice chair.

Ms. Bessant is the chair of the board of directors for the Foundation for the Carolinas, chair of the Community Catalyst Fund, is a member of the advisory committee of the NASCAR Hall of Fame, past chair of the Charlotte Chamber of Commerce and also served as a co-chair of the Citizens Task Force on Charlotte Mecklenburg Schools. She chairs Bank of America's Environmental Council and oversees the company's 10-year, \$20 billion environmental initiative to address global climate change. Ms. Bessant resides in Charlotte, North Carolina.

Steven T. Halverson. Steven T. Halverson is CEO of The Haskell Company, which ranks among the foremost design-build organizations in the U.S. The company provides planning, architectural, engineering, construction, program management, real estate, financing and facility management services. Mr. Halverson resides in Jacksonville, Florida.

Mr. Halverson has served on the Florida Blue Board since 2010 and is chair of the personnel and compensation committee and is a member of the board governance and nominating committee. Mr. Halverson also serves on the board of directors of CSX Corp. He is chair of the Construction Industry Roundtable, immediate past chair of the Florida Council of 100, past chair of the Florida Chamber of Commerce and chair of the regional advisory board of Teach for America. He is the recipient of the University of North Florida Presidential Medallion and was inducted in the Florida Council on Economic Education First Coast Business Hall of Fame in 2008.

Leerie T. Jenkins, Jr. Mr. Jenkins is the chairman and CEO of Reynolds, Smith & Hills, Inc., a privately held architectural, engineering, planning and environmental services corporation. The company is one of the leading facilities and infrastructure consulting firms in the United States.

He has served on the Florida Blue board since 2006 and is a member of the audit and compliance committee and the finance committee.

Mr. Jenkins also serves on the boards of the Federal Reserve Bank of Atlanta's Jacksonville Branch, the Florida Chamber of Commerce and the Florida Council of 100. He is on the board of trustees and executive committee of the Gator Bowl Association and honorary member of Leadership Jacksonville. He is the recipient of numerous awards including the 2009 Distinguished Alumni Medal from the University of Georgia's College of Environment and Design.

Tracy A. Leinbach. Ms. Leinbach is a retired executive vice president and chief financial officer of Ryder System, Inc., a leading global logistics, transportation and supply chain management solutions company headquartered in Miami, Florida. At Ryder, she was responsible for the corporation's financial management functions including strategic planning, accounting, corporate finance, treasury, bank relations, tax, investor relations, information technology, safety/security, pension fund management and strategic sourcing. In previous roles with Ryder, she led business operations and sales in the U.S. and Europe.

She has served on the Florida Blue Board since 2004 and serves on the board governance and nominating committee and the personnel and compensation committee.

Ms. Leinbach also serves on the boards of Hasbro, Inc., Forward Air Corporation and the Sandhills Children's Center. In addition, she is trustee emeritus of the College of William and Mary Foundation and on the strategic planning committee of First Health of the Carolinas.

John B. Ramil. Mr. Ramil is president and CEO of TECO Energy, Inc., a leading energy company located in Tampa, Florida. TECO operates Tampa Electric, a regulated utility serving more than 670,000 customers; Peoples Gas System, Florida's largest natural gas distributor serving more than 336,000 customers; TECO Coal, a coal mining company with operations in Kentucky and Virginia; and TECO Guatemala, which owns two power plants. Mr. Ramil has served on the Board since 2006 and is the chair of the audit and compliance committee and is a member of the finance committee.

In addition to serving on the Florida Blue Board, Mr. Ramil serves on the boards of TECO Energy Inc., Edison Electric Institute, the Greater Tampa Chamber of Commerce, University of South Florida, and the Tampa Bay Performing Arts Center. He is past chair for Inroads-Tampa Bay (minority student intern program), Greater Tampa Chamber of Commerce, the American Heart Association-Tampa Bay Heart Walk, Southeastern Electric Exchange and Florida Electric Power Coordinating Group. Mr. Ramil is the recipient of numerous honors including the H.L. Culbreath Profiles in Leadership Award and the University of Tampa Ethics Award.

Frank Scruggs. Mr. Scruggs is a partner in the Florida business law firm Berger Singerman. He practices in the areas of employment law and commercial litigation.

Mr. Scruggs served as Florida's Secretary of Labor and Employment Security and as Assistant General Counsel to Governor Bob Graham. He is a Trustee Emeritus of the University of Miami, Senior member of the Orange Bowl Committee and member of the Executive Committee of the Broward Workshop. Mr. Scruggs also serves on the board of directors of SunTrust Banks, Inc.

He has served on the Florida Blue Board since 1995 and is chair of the board governance and nominating committee as well as a member of the personnel and compensation committee.

Mr. Scruggs earned a Juris Doctor degree from Harvard Law School, a Master's degree from Princeton University, and a Bachelor's Degree from Cornell University. He also is a graduate of the Advanced Management Program of the Wharton School, University of Pennsylvania.

Barbara S. Thomas. Ms. Thomas is a retired interim CEO of Ocean Spray Cranberries Company. She was also president of Warner-Lambert Consumer Healthcare Company and CEO of Pillsbury Canada Ltd.

Ms. Thomas has served on the Florida Blue Board since 2004 and is chair of the finance committee and is a member of the audit and compliance committee. She also serves on the board of the Bank of Nova Scotia. Ms. Thomas resides in Belleair, Florida.

Gonzalo F. Valdes-Fauli. Mr. Valdes-Fauli is chairman of Broadspan Capital, LLC, an investment banking firm specializing in financial advisory services covering Latin America, the Caribbean and the U.S. Hispanic markets. Earlier in his career, he was vice-chairman of Barclays Capital (Latin America) and CEO of Barclays Group (Latin American Division).

Mr. Valdes-Fauli has served on the Florida Blue Board since 1995 and is a member on the audit and compliance committee and the finance committee. He also serves on the board and is chair of the corporate governance committee of Gildan Activewear, Inc. and is trustee emeritus of the University of Miami. He was a former director of Knight-Ridder Inc. and former chair of the Republic Bank D.R. board of directors. Mr. Valdes-Fauli resides in Key Biscayne, Florida.

REGULATION OF FLORIDA BLUE AND MUTUAL HOLDCO

Today, Florida Blue is subject to regulation and supervision in Florida by the Florida Office of Insurance Regulation in a wide variety of matters. These include licensing and examination, price setting, trade practices, policy forms, the nature and amount of its investments, claims practices, participation in shared markets and guaranty funds, reserve adequacy, insurer solvency, transactions with affiliates, the amount of dividends that Florida Blue may pay, and underwriting standards. Florida Blue's business as an insurer will continue after the Reorganization and, as a result, it will continue to be subject to the same regulation and supervision by the Office. However, Mutual Holdco will not be an insurer or have the authority to engage in the business of insurance and, as a result, will not be subject to regulations identical to Florida Blue. The Office will have some oversight over material transactions involving Mutual Holdco, as described below.

Amendments of Organizational Documents

Pursuant to applicable law and the Articles of Incorporation of Mutual Holdco, Mutual Holdco may amend its Articles of Incorporation by vote of a majority of those members present or represented by proxy at a lawful meeting of its members present. Upon adoption of an amendment, Mutual Holdco shall deliver to the Office a certificate setting forth the amendment and the date and manner of adoption thereof. The Office shall promptly examine the certificate of amendment and, if the Office finds that the certificate and the amendment comply with law, the Office shall endorse its approval upon the amendment for submission by Mutual Holdco to the Department of State.

Mutual Holdco must file with the Office a certified copy of its bylaws and every modification or addition thereto. The Florida Statutes provide that the Office shall promptly disapprove any bylaw provision deemed by it to be unlawful, unreasonable, inadequate, unfair or detrimental to the proper interests or protection of Mutual Holdco's members.

These procedures and requirements are no different than those procedures and requirements that Florida Blue is currently subject to as a mutual insurer.

Approval of Certain Material Transactions

Pursuant to the Florida Statutes, Mutual Holdco must obtain the approval of the Office in order to merge or consolidate with another mutual insurance holding company or in order for Mutual Holdco to, either directly or indirectly, acquire a stock or mutual insurance company by merger. The Office shall give its approval unless it finds that a plan of merger or agreement is inequitable to the policyholders of a domestic insurer involved in the merger or

the members of any domestic mutual insurance holding company involved in the merger or would substantially reduce the security of an service to be rendered to policyholders of a domestic insurer in Florida.

Mutual Holdco may not convert to a stock holding company, i.e., demutualize, without the approval of the Office and the Office may not approve any plan to demutualize unless it is subject to approval by members and the corporate equity of each member is determinable in accordance with statutory requirements. Such regulation by the Office does not differ from its current regulation of Florida Blue as a mutual insurer.

Approval of Dividends

Pursuant to the Florida Statutes, Florida Blue as a domestic stock insurance company will not be permitted to pay any dividend or distribute cash or other property to Mutual Holdco, its sole shareholder, except out of that part of its available and accumulated surplus funds which is derived from realized net operating profits on its business and net realized capital gains. Dividend payments or distributions by Florida Blue to Mutual Holdco, without prior written approval of the Office can be made by one of two alternatives. Under the first alternative, dividend payments or distributions shall not exceed the larger of: (a) The lesser of 10 percent of surplus or net income, not including realized capital gains; (b) Ten percent of surplus, with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains; or (c) The lesser of 10 percent of surplus or net gain before capital gains plus a 2-year carry forward with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains.

Under the second alternative, Florida Blue may pay a dividend or make a distribution to Mutual Holdco without the prior written approval of the Office when: (a) The dividend is equal to or less than the greater of ten percent of the insurer's surplus derived from realized net operating profits on its business and net realized capital gains or the insurer's entire net operating profits and realized net capital gains derived during the immediately preceding calendar year; and (b) The insurer will have surplus equal to or exceeding 115 percent of the minimum required statutory surplus after the dividend or distribution is made; and (c) The insurer has filed notice with the Office at least 10 business days prior to the dividend payment or distribution, or such shorter period of time as approved by the Office on a case-by-case basis (such notice shall not create a right in the office to approve or disapprove a dividend otherwise properly payable under this provision); and (d) the notice includes a certification by an officer of the insurer attesting that after payment of the dividend or distribution the insurer will have at least 115 percent of required statutory surplus.

Under Florida law, Mutual Holdco will not be obligated to make any direct payment of dividends or any other distributions or payments of income, dividends or profits directly to Members, except in the event of the ultimate dissolution or liquidation of Mutual Holdco or as expressly approved by the Office.

AVAILABLE INFORMATION

Florida Blue is organized in Florida and is currently subject to Florida laws and regulations applicable to health and disability mutual insurers. In accordance with those laws and regulations, Florida Blue files financial reports and other public information with the Florida Office of Insurance Regulation. The publicly available financial reports and other information regarding Florida Blue can be inspected at the offices of the Florida Office of Insurance Regulation at 200 East Gaines Street, Tallahassee, Florida 32399, during normal business hours.

SELECTED HISTORICAL FINANCIAL DATA

Blue Cross and Blue Shield of Florida, Inc. and Subsidiaries Consolidated Five-Year Historical Data

The SELECTED HISTORICAL FINANCIAL DATA table sets forth summary consolidated financial information for Florida Blue and its subsidiaries. The summary financial information as of and for the years ended December 31, 2012, 2011, 2010, 2009 and 2008 have been derived from Florida Blue's Annual Audited Consolidated Financial Statements (the "Consolidated Statements") prepared in accordance with U.S. Generally

Accepted Accounting Principles. This summary of consolidated financial information should be read in conjunction with Florida Blue's Consolidated Financial Statements for the years ended December 31, 2012 and December 31, 2011, and notes thereto, included in this Proxy Statement as Annex D.

Selected Historical Financial Data
For the Years Ending December 31, 2008 through 2012
(dollars in millions)

Balance Sheet	2008	2009	2010	2011	2012
Invested Assets	\$ 3,461	\$ 3,766	\$ 4,156	\$ 4,270	\$ 4,425
Other Assets	\$ 2,529	\$ 2,484	\$ 2,553	\$ 2,801	\$ 2,785
Total Assets	<u>\$ 5,990</u>	<u>\$ 6,250</u>	<u>\$ 6,709</u>	<u>\$ 7,071</u>	<u>\$ 7,210</u>
Current Liabilities	\$ 3,359	\$ 3,234	\$ 3,254	\$ 3,505	\$ 3,307
Non-Current Liabilities	\$ 150	\$ 150	\$ 150	\$ 90	\$ 150
Total Liabilities	\$ 3,509	\$ 3,384	\$ 3,404	\$ 3,595	\$ 3,457
Surplus	\$ 2,481	\$ 2,866	\$ 3,305	\$ 3,476	\$ 3,753
Total Liabilities and Equity	<u>\$ 5,990</u>	<u>\$ 6,250</u>	<u>\$ 6,709</u>	<u>\$ 7,071</u>	<u>\$ 7,210</u>

Income Statement	2008	2009	2010	2011	2012
Revenue	\$ 8,390	\$ 8,290	\$ 8,037	\$ 8,061	\$ 8,885
Medical	\$ 6,645	\$ 6,686	\$ 6,071	\$ 6,237	\$ 6,959
Gross Margin	\$ 1,745	\$ 1,604	\$ 1,966	\$ 1,824	\$ 1,926
Administrative Expense	\$ 1,669	\$ 1,543	\$ 1,522	\$ 1,724	\$ 1,813
Operating Income	\$ 76	\$ 61	\$ 444	\$ 100	\$ 113
Investment Income	\$ 133	\$ 144	\$ 181	\$ 200	\$ 197
Income Tax	\$ 72	\$ 53	\$ 206	\$ 81	\$ 93
Net Income	<u>\$ 137</u>	<u>\$ 152</u>	<u>\$ 419</u>	<u>\$ 219</u>	<u>\$ 217</u>

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Consolidated Statements included in this Proxy Statement as Annex D are prepared in accordance with GAAP.

The Annual Audited Statutory-Basis Financial Statements (the "Statutory Statements") for the years ended December 31, 2012, 2011 and 2010, and the Quarterly Audited Statutory-Basis Financial Statement (the "Quarterly Statutory Statement") for the quarter ended June 30, 2013, as filed with the Florida Office of Insurance Regulation are prepared in accordance with accounting principles and practices prescribed or permitted by the Office and the NAIC Accounting Practices and Procedures Manual ("SAP") and are incorporated by reference in this Proxy Statement. Any subsequent Quarterly Statutory Statement filed by Florida Blue with the Florida Office of Insurance Regulation prior to the Special Meeting is also incorporated by reference in this Proxy Statement. Copies of these documents can be inspected during normal business hours at Florida Blue's offices at 4800 Deerwood Campus Parkway, Jacksonville, Florida 32246.

Statements contained in this Proxy Statement or in any document incorporated in this Proxy Statement by reference as to the contents of any contract or other document referred to herein or therein are not necessarily complete. In each instance where such statements are made, such statements are qualified in all respects by reference to the entire contract or other such document.

PROPOSAL 2:
RE-ELECTION OF FLORIDA BLUE DIRECTORS

Overview

The Board has nominated each of the following four individuals to serve as a director for a term of three years:

Catherine P. Bessant

Steven T. Halverson

Barbara S. Thomas

Gonzalo F. Valdes-Fauli

If re-elected at this year's Annual Meeting of Members, each nominee will serve until the date of the 2016 annual meeting or, if earlier, until his or her successor has been elected and qualified.

Each nominee has consented to serve as a member of the Board if re-elected at the Annual Meeting of Members. Nevertheless, if any nominee becomes unable to stand for re-election (which the Board does not anticipate happening), each proxy will be voted for a substitute designated by the Board.

The Board unanimously recommends that you vote "FOR" the re-election of each of the above named nominees to the Board of Directors.

Board of Director Nominee Biographies

Catherine P. Bessant

Ms. Bessant is the global technology and operations executive at Bank of America, which serves more than 58 million clients through operations in more than 40 countries. She is also a member of the company's executive management team. She was elected to the Florida Blue Board in 2001 and is the lead director and vice chair.

Ms. Bessant is the chair of the board of directors for the Foundation for the Carolinas, chair of the Community Catalyst Fund, is a member of the advisory committee of the NASCAR Hall of Fame, past chair of the Charlotte Chamber of Commerce and also served as a co-chair of the Citizens Task Force on Charlotte Mecklenburg Schools. She chairs Bank of America's Environmental Council and oversees the company's 10-year, \$20 billion environmental initiative to address global climate change. Ms. Bessant resides in Charlotte, North Carolina.

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Steven T. Halverson is CEO of The Haskell Company, which ranks among the foremost design-build organizations in the U.S. The company provides planning, architectural, engineering, construction, program management, real estate, financing and facility management services. Mr. Halverson resides in Jacksonville, Florida.

Mr. Halverson has served on the Florida Blue Board since 2010 and is chair of the personnel and compensation committee and is a member of the board governance and nominating committee. Mr. Halverson also serves on the board of directors of CSX Corp. He is chair of the Construction Industry Roundtable, immediate past chair of the Florida Council of 100, past chair of the Florida Chamber of Commerce and chair of the regional advisory board of Teach for America. He is the recipient of the University of North Florida Presidential Medallion and was inducted in the Florida Council on Economic Education First Coast Business Hall of Fame in 2008.

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Ms. Thomas is a retired interim CEO of Ocean Spray Cranberries Company. She was also president of Warner-Lambert Consumer Healthcare Company and CEO of Pillsbury Canada Ltd.

Ms. Thomas has served on the Florida Blue Board since 2004 and is chair of the finance committee and is a member of the audit and compliance committee. She also serves on the board of the Bank of Nova Scotia. Ms. Thomas resides in Belleair, Florida.

Gonzalo F. Valdes-Fauli

Mr. Valdes-Fauli is chairman of Broadspan Capital, LLC, an investment banking firm specializing in financial advisory services covering Latin America, the Caribbean and the U.S. Hispanic markets. Earlier in his career, he was vice-chairman of Barclays Capital (Latin America) and CEO of Barclays Group (Latin American Division).

Mr. Valdes-Fauli has served on the Florida Blue Board since 1995 and is a member of the audit and compliance committee and the finance committee. He also serves on the board and is chair of the corporate governance committee of Gildan Activewear, Inc. and is trustee emeritus of the University of Miami. He was a former director of Knight-Ridder Inc. and former chair of the Republic Bank D.R. board of directors. Mr. Valdes-Fauli resides in Key Biscayne, Florida.

Recommendation of Board of Directors

The Board unanimously recommends that you vote “FOR” the re-election of each of the above named nominees to the Board of Directors.

**PLAN OF REORGANIZATION
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.**

Dated as of May 28, 2013

**PLAN OF REORGANIZATION
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.**

**UNDER PART III, CHAPTER 628, FLORIDA STATUTES
DATED AS OF MAY 28, 2013**

TABLE OF CONTENTS

	Page
ARTICLE I: DEFINITIONS	1
ARTICLE II: EFFECT OF REORGANIZATION	3
2.01 Changing the Legal Structure	3
2.02 Process of Reorganization	3
2.03 Issuing Stock While Maintaining Mutuality	4
2.04 Continuation of Existing Policies, Rights and Benefits	4
2.05 Contractual Obligations	5
ARTICLE III: BACKGROUND OF REORGANIZATION	5
3.01 Reasons and Purposes of Reorganization	5
3.02 Alternative Transactions Considered	6
3.03 Specific Benefits of Reorganization to Members	6
3.04 Risks of the Reorganization	7
ARTICLE IV: ADOPTION AND APPLICATION	8
4.01 Adoption by the Board	8
4.02 Submission of Plan	9
ARTICLE V: REGULATORY APPROVAL	9
ARTICLE VI: APPROVAL BY ELIGIBLE MEMBERS	10
ARTICLE VII: THE REORGANIZATION	10
7.01 Filing of Minutes and Corporate Documents	10
7.02 Effectiveness of Plan	10
7.03 Tax Considerations	11
7.04 Securities Law Considerations	12
ARTICLE VIII: MISCELLANEOUS PROVISIONS	12
8.01 Continuation of Corporate Existence	12
8.02 Boards of Directors	12
8.03 Compensation of Directors and Officers	13
8.04 Dividends Received by Mutual Holdings	13
8.05 No Preemptive Rights	13
8.06 Share Issuances	13
8.07 Notices	13

TABLE OF CONTENTS
(continued)

	Page
8.08 Amendment, Corrections or Withdrawal of Plan.....	13
8.09 Failure of Plan to Become Effective	14
8.10 Governing Law	14

INDEX OF EXHIBITS

EXHIBIT A	Proposed Articles of Incorporation of GuideWell Mutual Holding Company
EXHIBIT B	Proposed Bylaws of GuideWell Mutual Holding Company
EXHIBIT C	Proposed Second Amended and Restated Articles of Incorporation of Blue Cross and Blue Shield of Florida, Inc.
EXHIBIT D	Proposed Second Amended and Restated Bylaws of Blue Cross and Blue Shield of Florida, Inc.
EXHIBIT E	Proposed Articles of Incorporation of GuideWell Health Group, Inc.
EXHIBIT F	Proposed Bylaws of GuideWell Health Group, Inc.
EXHIBIT G	Analysis of Alternative Transactions

PLAN OF REORGANIZATION
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

Under Part III, Chapter 628, Florida Statutes

This Plan of Reorganization (hereinafter, the “Plan”) has been approved and adopted by the Board of Directors of Blue Cross and Blue Shield of Florida, Inc. (“Florida Blue”), a not-for-profit mutual insurer under Chapters 617 and 628 of the Florida Statutes, at a meeting duly called and held on May 28, 2013.

This Plan provides for the reorganization, pursuant to Part III, Chapter 628, Florida Statutes, of Florida Blue from a not-for-profit mutual insurer into a stock insurance company, simultaneously with the creation of a mutual insurance holding company to be named GuideWell Mutual Holding Company. At all times as required by applicable law, GuideWell Mutual Holding Company will own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue. In connection with this reorganization of Florida Blue, certain of its subsidiaries will become subsidiaries of GuideWell Health Group, Inc., a Florida corporation which shall be a subsidiary of GuideWell Mutual Holding Company. Pursuant to Section 628.707 of the Florida Statutes, in the case of the reorganization of any mutual insurance company organized as a not-for-profit corporation under chapter 617, a mutual insurance holding company organized under Part III, Chapter 628, shall be deemed to be a not-for-profit corporation and, therefore GuideWell Mutual Holding Company shall be deemed to be a not-for-profit corporation.

Please see Sections 2.02 and 7.02(b) for a chronology of sequence of events of the transactions that will take place in connection with the Reorganization of Florida Blue under this Plan.

**ARTICLE I:
DEFINITIONS**

As used in this Plan the following capitalized terms have the following meanings:

“Adoption Date” means May 28, 2013, the date on which this Plan was adopted by the Board.

“Association” means the Blue Cross and Blue Shield Association, a national federation of 38 independent, community-based and locally operated Blue Cross® and Blue Shield® companies, of which Florida Blue is presently a licensee.

“Board” means the Board of Directors of Florida Blue.

“Business Plan” means the proposed Plan of Operations for the three years following the Effective Date, which is submitted to the Office with this Plan.

“Commissioner” means the Commissioner of the Office of Insurance Regulation within the State of Florida, Financial Services Commission.

“DHS” means Diversified Health Services, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Group on the Effective Date.

“DSO” means Diversified Service Options, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Group on the Effective Date.

“Effective Date” means the Effective Date of this Plan, as determined in accordance with Section 7.02(a).

“Effective Time” has the meaning specified in Section 7.02(a).

“Eligible Members” means all Persons who, as reflected on the records of Florida Blue, were owners of in-force Policies of Florida Blue as of 5:00 p.m. EDT on July 15, 2013 or on such later date as may be adopted by the Board.

“Florida Blue” means Blue Cross and Blue Shield of Florida, Inc., doing business as “Florida Blue,” which, prior to the Effective Date, is a not-for-profit mutual insurer under Chapters 617 and 628 of the Florida Statutes, and, on the Effective Date, is a stock insurance company under Chapter 628 of the Florida Statutes, which results from the mutual insurance holding company reorganization under Part III, Chapter 628, Florida Statutes.

“Foundation” means Blue Cross and Blue Shield of Florida Foundation Inc., a Florida corporation not-for-profit, also known as “Florida Blue Foundation,” in which (a) prior to the Effective Date, Florida Blue is the sole member, and (b) on the Effective Date, Mutual Holdings and Florida Blue are the only members.

“Group” means GuideWell Health Group, Inc., a Florida corporation to be formed pursuant to this Plan as a stock company under Mutual Holdings immediately following the Effective Date.

“Member” means, in accordance with the articles of incorporation and bylaws of Florida Blue, a Person who is a policyholder of a Policy issued by Florida Blue.

“Membership Interests” means, (a) with respect to Florida Blue (prior to the Reorganization), the membership interests of Members arising under the laws of the State of Florida and the articles of incorporation and bylaws of Florida Blue, including, without limitation, the right to vote for directors and on other matters and to participate in the distribution of net assets on voluntary dissolution, (b) with respect to Mutual Holdings, the membership interests of members arising under the laws of the State of Florida and the articles of incorporation and bylaws of Mutual Holdings, including, without limitation, the right to vote for directors and on other matters and to participate in the distribution of net assets on voluntary dissolution. Membership Interests do not include the contractual rights and interests arising under Policies issued by Florida Blue.

“Mutual Holdings” means GuideWell Mutual Holding Company, a mutual insurance holding company to be organized under Part III, Chapter 628, Florida Statutes, which, pursuant to Section 628.707(5) thereof, shall be deemed to be a not-for-profit corporation.

“Navigy Holdings” means Navigy Holdings, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Group on the Effective Date.

“Non-Subsidiary Assets” means certain real estate, property and equipment, stocks and bonds as more particularly described in the Business Plan, as it may be amended or corrected from time to time subject to notice to the Office.

“Office” means the Office of Insurance Regulation within the State of Florida, Financial Services Commission, or such governmental officer, body or authority as may succeed the Office as the primary regulator of Florida Blue and Mutual Holdings under applicable law.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee or fiduciary, or any similar entity.

“Plan of Reorganization” or “Plan” means this Plan of Reorganization (including all Schedules and Exhibits hereto), as it may be amended or corrected from time to time in accordance with Section 8.08.

“Policies” means a written agreement or contract for or effecting insurance from Florida Blue, other than reinsurance.

“Reorganization” means the transactions which accomplish the reorganization of Florida Blue from a not-for-profit mutual insurer into a stock insurance company, simultaneously with the creation of a mutual insurance holding company structure under Florida law in accordance with this Plan of Reorganization.

“Subsidiaries” means DHS, DSO and Navigy Holdings, collectively.

ARTICLE II: EFFECT OF REORGANIZATION

2.01 *Changing the Legal Structure.* The principal effects of the Reorganization will be to convert Florida Blue into a stock insurance company that is controlled by a mutual insurance holding company whose members are policyholders of Florida Blue. The Reorganization will involve “the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, transfer of assets and liabilities among two or more companies, issuance, acquisition or transfer of capital stock of one or more companies” within the meaning of Section 628.709(1), Florida Statutes.

2.02 *Process of Reorganization.* As part of the Reorganization:

(a) Mutual Holdings' articles of incorporation and bylaws attached hereto as Exhibit A and Exhibit B, respectively, shall become effective;

(b) Florida Blue's articles of incorporation shall be amended and restated for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, as set forth in Exhibit C, and the second amended and restated bylaws of Florida Blue as set forth in Exhibit D hereto shall become effective;

(c) Florida Blue shall issue shares of its common stock to Mutual Holdings in an amount constituting 100 percent of the total number of issued and outstanding shares of common stock of Florida Blue;

(d) the Membership Interests of Members of Florida Blue shall become Membership Interests in Mutual Holdings in accordance with the articles of incorporation and bylaws of Mutual Holdings and the Members' Membership Interests in Florida Blue shall be extinguished;

(e) Mutual Holdings shall be admitted as a new member of the Foundation;

(f) Group's articles of incorporation and bylaws in the forms attached hereto as Exhibit E and Exhibit F, respectively, shall become effective;

(g) Florida Blue shall contribute all of its shares in the Subsidiaries constituting 100 percent of the total number of issued and outstanding shares of each of them, and the Non-Subsidiary Assets to Group, and Group shall assume the liabilities and obligations associated therewith;

(h) Florida Blue shall distribute 100 percent of its shares of common stock of Group to Mutual Holdings; and

(i) subsequent to the Reorganization, Florida Blue may transfer certain of its employees to Group subject to providing notice to Office.

2.03 *Issuing Stock While Maintaining Mutuality.* This Plan requires that Mutual Holdings, at all times as required by law, own a majority of the voting shares and a majority in economic value of the capital stock of Florida Blue directly or indirectly through the majority ownership of any intermediate holding companies interposed between Mutual Holdings and Florida Blue. Subject to these limitations, the proposed articles of incorporation of Florida Blue do not prohibit the issuance of shares of common stock to third parties.

2.04 *Continuation of Existing Policies, Rights and Benefits.* The coverage terms and provisions of the existing Policies held by Members will not be changed as a result of the Reorganization. In addition, the guaranteed benefits and the rights of Members specified in their existing Policies will not be reduced or altered in any way, and the premiums required to be paid as specified in those Policies will not be increased as a result of the Reorganization. Florida Blue will remain fully obligated under all of Florida Blue's Policies. Notwithstanding the foregoing, upon the renewal of the Policies, the forms and endorsements issued to the Members as policyholders of Florida Blue may be made on new forms, in which case they will be filed with

and approved by the Office. The coverage and benefits and associated premiums for such coverage and benefits under the new policy forms and endorsements are not expected to differ materially from those provided under the Policies.

2.05 *Contractual Obligations.* Following the Reorganization, the material terms and conditions of contractual obligations of Florida Blue, other than those arising under the Policies, shall, subject to the rights of Mutual Holdings under applicable law, and to the extent such obligations are not otherwise satisfied or terminated in accordance with their terms or retained by Mutual Holdings or Florida Blue, remain in full force and effect as obligations of Florida Blue or, to the extent applicable, upon the transfer of such obligations to, and assumption of such obligations by, Group. As of the Adoption Date, Florida Blue has no subordinated surplus notes and will not have any subordinated surplus notes as of the Effective Date.

ARTICLE III: BACKGROUND OF REORGANIZATION

3.01 *Reasons and Purposes of Reorganization.* The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdings level, while providing similar flexibility as for-profit competitor structures. It will allow for better growth and scalability of Florida Blue's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise as well as increase Florida Blue's ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue's mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue's mission, remain financially strong for its Members and substantially enables core transformation and diversification, while retaining the long-term, consistent focus of a mutual company. The Reorganization is expected to:

- (i) permit Florida Blue to realize the benefit of preserving the Members' Membership Interests at the Mutual Holdings level, including the right to elect directors of Mutual Holdings and vote on amendments to the articles of incorporation of Mutual Holdings;
- (ii) allow the declaration and payment of dividends from subsidiaries for capital deployment within the mutual insurance holding company system;
- (iii) permit the mutual insurance holding company system to make investments that may otherwise be limited under the present corporate structure;

- (iv) enhance Florida Blue's structural flexibility and support for its current and future business opportunities, including potential mergers and acquisitions; and
- (v) enable access to capital and debt markets if required by future business developments.

As set forth in Section 3.03 below, the Board believes that the mutual insurance holding company structure and the enhanced ability to deploy capital it provides will better enable it to develop innovative products, to invest in technology and to achieve economies of scale that are expected to address affordability for Members and expand the range of products and services offered, while continuing the benefits of mutuality, including protecting the voting rights and ownership interests of Members.

3.02 *Alternative Transactions Considered.* Exhibit G contains an analysis of alternative transactions considered by the Board.

3.03 *Specific Benefits of Reorganization to Members.* The Board believes that Reorganization under the Plan will be beneficial for both Florida Blue and its Members for the following reasons:

- (a) *Maintaining the Benefits of Mutuality and Company Mission.* Reorganizing Florida Blue into a stock insurance company that is owned by a not-for-profit mutual insurance holding company in which Florida Blue's policyholders are members enables Florida Blue to achieve the benefits described below while continuing Florida Blue's mission to improve the health and wellness of its Members. By strengthening a not-for-profit enterprise, the Reorganization balances out the industry between insurers that have for-profit and not-for-profit missions, resulting in benefits to Florida Blue's policyholders and consumers generally.
- (b) *Enhanced Ability to Deploy Available Capital.* Under a mutual insurance holding company structure, capital in excess of statutory requirements may be declared and paid as a dividend by Florida Blue and other regulated subsidiaries and non-regulated subsidiaries within the structure, which will enable the use of such capital under appropriate regulation relative to their business purpose. In addition, the Plan of Reorganization contemplates that the Subsidiaries will no longer be subsidiaries of Florida Blue but will instead be subsidiaries of Group.
- (c) *Greater Flexibility in Pursuing and Structuring Business Combinations.* Under a mutual insurance holding company structure, Mutual Holdings will have greater flexibility to respond to today's competitive market by creating a more level playing field with Florida Blue's current for-profit competitors. Mutual Holdings will have the ability to pursue mergers and acquisitions with stock companies and mutual insurance companies as well as non-profit health plans. On the other hand, today, Florida Blue

may only acquire a target mutual insurer by merger into a single entity. The ability to combine with a mutual insurance company in a way that preserves the identities and cultures of both companies will be less disruptive than a statutory merger to the relationships between the companies and their respective policyholders and will make Florida Blue a potentially more attractive acquirer. Further, under a mutual insurance holding company structure, Mutual Holdings will be able to use the stock of Florida Blue or another stock company directly or indirectly owned by Mutual Holdings, as currency in making acquisitions of stock companies. The ability to issue stock may allow Mutual Holdings to pursue transactions that are tax-free to prospective sellers of target businesses, which sellers might find more attractive than taxable cash transactions. As an added benefit, acquisitions made under a mutual insurance holding company structure could receive more favorable accounting treatment than acquisitions made under the present form.

- (d) *Increased Access to Capital.* Mutual Holdings, which is not an insurance company, will be a more attractive issuer in the capital and debt markets, which potentially may increase the company's financial strength, create greater opportunities for diversification and growth and allow greater flexibility to transform the health care system to deliver a broader array of quality products and services to Members.

3.04 *Risks of the Reorganization.* While the Board believes that Reorganization under the Plan pursuant to Florida law is in the best interest of both Florida Blue and its Members, the Board considered the following risks of the Reorganization, among others:

- (a) *Investments Not Subject to Limitations Placed on Insurance Companies.* After the Reorganization, Florida Blue will continue to be subject to the investment limitations of Part II, Chapter 625, Florida Statutes, which generally restricts the investments of insurance companies to those types of investments which are relatively liquid and stable, but Mutual Holdings, Group and other subsidiaries of Mutual Holdings that are not insurance companies will not be subject to those investment limitations. The Board believes that the benefit of expanding Mutual Holdings' potential investment opportunities outweighs any theoretical risk to Members.
- (b) *No Rights to Purchase Securities Upon Conversion.* Unlike in a demutualization of a mutual insurance company such as Florida Blue, no preemptive rights to capital stock in the converted company are granted to policyholders in a mutual insurance holding company reorganization. Instead, the membership interests, including voting rights, of policyholders in a mutual insurance holding company reorganization are preserved at the mutual insurance holding company level. A demutualization is not contemplated by Florida Blue and will require the approval of Mutual Holdings' board of directors, members and the Office.

- (c) *Third Party Ownership of the Company; Limitation on New Issuances of Stock.* Members currently own all of the Membership Interests in Florida Blue. After the Reorganization, Members as a group will initially own 100 percent of Florida Blue through the 100 percent ownership of Florida Blue by Mutual Holdings. However, in the future, Florida Blue may issue its shares to other outside investors. Florida law provides that Mutual Holdings must at all times own, either directly or through an intermediate holding company, a majority of the voting shares of the capital stock of Florida Blue, so the amount of stock able to be issued by Florida Blue will be less than 50 percent of its issued and outstanding shares. The members of Mutual Holdings shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue or any intermediate holding company in connection with an offering of such stock.
- (d) *Potential Conflicts between Interests of Members and Shareholders.* Prior to the Reorganization, the Board has a duty to act in the best interests of Florida Blue and its Members. After the Reorganization, the Board of Directors of Florida Blue will have a duty to act in the best interests of Florida Blue and its shareholders, including any third parties that may acquire shares in the future. There is a potential that in certain circumstances the interests of shareholders and Members could conflict. For example, after the Reorganization, the Board of Florida Blue must carefully balance the Members' interest in receiving insurance at low cost with the shareholders' interest in receiving a return on their investment. The Board also must decide how to balance the growth of and apportion profits from Florida Blue as between shareholders (which could in the future include policyholders, directors, officers, employees and agents of the stock insurance company) and Members. However, Florida Blue believes that after the Reorganization, Members and shareholders will generally have common interests. Mutual Holdings, representing the Members, will remain the majority shareholder with ultimate control over Florida Blue. Florida Blue's ability to declare dividends will derive from the financial and operational success of Florida Blue and the value and competitiveness of the products and services offered through agents to Members. Only by satisfying its policyholders can Florida Blue achieve the growth and financial success which will serve the best interests of both Members and the shareholders.

ARTICLE IV: ADOPTION AND APPLICATION

4.01 *Adoption by the Board.* This Plan has been approved and adopted by the unanimous affirmative vote of the Board at a meeting held on May 28, 2013. This Plan provides for the reorganization, effective upon the Reorganization, of Florida Blue as a stock insurance company that is wholly owned by Mutual Holdings. At all times as required by applicable law, Mutual Holdings shall own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue. This Plan also provides for

Florida Blue's ownership of the Subsidiaries and Non-Subsidiary Assets to be transferred from Florida Blue to Group as set forth in Sections 2.02 and 7.02(b).

4.02 *Submission of Plan.* Florida Blue will submit to the Office for approval by the Commissioner, in accordance with Sections 628.6013 and 628.711(3), Florida Statutes, or as otherwise required by the Office, the following:

- (a) this Plan;
- (b) the form of notice to be sent to Eligible Members informing them of their right to vote on this Plan;
- (c) the form of proxy statement to be made available to Eligible Members informing them of their right to vote by proxy on this Plan and describing this Plan;
- (d) the form of proxy to be sent to Eligible Members to solicit their vote on this Plan;
- (e) proposed articles of incorporation and bylaws of Mutual Holdings, attached hereto as Exhibit A and Exhibit B, respectively; proposed amended and restated articles of incorporation and bylaws of Florida Blue for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, attached hereto as Exhibit C and Exhibit D, respectively, and; proposed articles of incorporation and bylaws of Group, attached hereto as Exhibit E and Exhibit F, respectively;
- (f) the Business Plan;
- (g) an audited financial statement prepared on a statutory accounting basis consistent with the Florida Insurance Code, including an actuarial opinion, for the most recent calendar year ended; and
- (h) an opinion issued by a qualified independent financial firm that as of the date of the opinion, the exchange of Membership Interests in Florida Blue for Membership Interests in Mutual Holdings pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of Florida Blue, taken as a group.

ARTICLE V: REGULATORY APPROVAL

This Plan is subject to the approval by the Office pursuant to Section 628.711(4), Florida Statutes. The approval of the Office will constitute approval of all aspects of this Plan under the Florida Insurance Code. However, the Office's approval of the Plan does not constitute an endorsement or recommendation thereof.

**ARTICLE VI:
APPROVAL BY ELIGIBLE MEMBERS**

Pursuant to Section 628.711(5)(b), Florida Statutes, this Plan shall be submitted to a vote of Eligible Members. The Board will schedule a meeting to be held for such purpose and shall provide at least 10 days' prior written notice of such meeting to the Eligible Members. Notice to Eligible Members shall contain a copy of this Plan. The Plan shall be approved upon the affirmative vote of at least a majority of votes cast by Eligible Members either in person or by proxy, notwithstanding quorum or voting action requirements otherwise applicable to Florida Blue to the contrary. If the Plan is not approved by the requisite vote of Eligible Members, then none of the transactions contemplated by the Reorganization as described in Section 7.02 of this Plan shall occur.

**ARTICLE VII:
THE REORGANIZATION**

7.01 *Filing of Minutes and Corporate Documents.* Within 30 days after adoption of this Plan by the Eligible Members in accordance with Article VI, Florida Blue must file with the Office the minutes of the meeting at which this Plan was adopted.

7.02 *Effectiveness of Plan.*

(a) The effective date of this Plan (the "Effective Date") shall be the later of (i) the date of recording of the articles of incorporation of Mutual Holdings and (ii) January 1, 2014. This Plan shall be deemed to have become effective on the Effective Date at 12:01 a.m., Eastern Time (the "Effective Time").

(b) At the Effective Time, the steps to the Plan shall occur in the following order:

- (i) Mutual Holdings' articles of incorporation and bylaws attached hereto as Exhibit A and Exhibit B, respectively, shall become effective;
- (ii) Florida Blue's articles of incorporation shall be amended and restated for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, as set forth in Exhibit C, and the second amended and restated bylaws of Florida Blue as set forth in Exhibit D hereto shall become effective;
- (iii) Florida Blue shall issue shares of its common stock to Mutual Holdings in an amount constituting 100 percent of the total number of issued and outstanding shares of common stock of Florida Blue;
- (iv) the Membership Interests of Members of Florida Blue shall become Membership Interests in Mutual Holdings in accordance with the articles of incorporation and bylaws of Mutual Holdings

and the Members' Membership Interests in Florida Blue shall be extinguished;

- (v) Mutual Holdings shall be admitted as a new member of the Foundation;
- (vi) Group's articles of incorporation and bylaws in the forms attached hereto as Exhibit E and Exhibit F, respectively, shall become effective;
- (vii) Florida Blue shall contribute all of its shares of the Subsidiaries constituting 100 percent of the total number of issued and outstanding shares of each of them, and the Non-Subsidiary Assets to Group, and Group shall assume the liabilities and obligations associated therewith;
- (viii) Florida Blue shall distribute 100 percent of its shares of common stock of Group to Mutual Holdings; and
- (ix) subsequent to the Reorganization, Florida Blue may transfer certain of its employees to Group subject to providing notice to Office.

(c) Mutual Holdings shall at all times own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue and any intermediate holding company that may be interposed between Florida Blue and Mutual Holdings.

(d) Florida Blue shall not change any coverage terms and provisions of the Policies solely as a result of the Reorganization other than those relating to the conversion of Membership Interests in Florida Blue into Membership Interests of Mutual Holdings.

7.03 Tax Considerations. The completion of this Plan is subject to Florida Blue's having received on or prior to the Effective Date a private letter ruling indication from the Internal Revenue Service or one or more opinions of its independent tax adviser substantially to the effect that:

(a) Members will not recognize gain or loss for federal income tax purposes as a result of the consummation of the transactions described in Section 7.02 of this Plan;

(b) the summary of federal income tax consequences to Members of the consummation of this Plan set forth in the proxy statement provided to Members in connection with their vote on this Plan was correct and complete in all material respects as of the date thereof and, except for any changes in law, regulations or official interpretations thereof the effect of which the Board, in its discretion, has determined (taking into account any remedial action the Board may authorize or direct) to be not adverse to the interests of the Members in any material respect, remains correct and complete as of the Effective Date;

(c) (i) Florida Blue's reorganization from a not-for-profit mutual insurer to a stock insurance company as described in Section 7.02 of this Plan will be a reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code; (ii) Florida Blue will be a "party to the reorganization" within the meaning of Section 368(b) of the Code; and (iii) the formation of Mutual Holdings as contemplated by this Plan will not be subject to tax under the Internal Revenue Code; and

(d) Florida Blue's contribution of the Subsidiaries and Non-Subsidiary Assets to Group and distribution of all of its common stock of Group to Mutual Holdings as described in Section 7.02 of this Plan will be a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code.

7.04 *Securities Law Considerations.* The completion of this Plan is also subject to Florida Blue having received on or prior to the Effective Date (a) a "no-action" letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, or (b) an opinion of independent legal counsel with respect to federal securities law matters.

ARTICLE VIII: MISCELLANEOUS PROVISIONS

8.01 *Continuation of Corporate Existence.* Upon the reorganization of Florida Blue under the terms of this Plan and Part III, Chapter 628, Florida Statutes, Florida Blue's corporate existence as a stock insurance company shall be a continuation of its prior corporate existence as a not-for-profit mutual insurer. Except with respect to the Non-Subsidiary Assets and the ownership of the Subsidiaries, the benefits of which shall accrue to Group upon the Reorganization, all rights, franchises, licenses and interests of Florida Blue in and to every type of property, real, personal and mixed, and all choses in action shall continue unaffected and uninterrupted by the Reorganization and shall accrue to Florida Blue. This Plan shall not be construed to result in any real or constructive issuance or exchange of any insurance Policy or any other transfer of any assets, rights or obligations by Florida Blue. Except with respect to the Non-Subsidiary Assets and the ownership of the Subsidiaries, the obligations and liabilities of which shall be assumed by Group upon the Reorganization, all obligations and liabilities of Florida Blue shall continue unaffected and uninterrupted by the Reorganization. No action or proceeding pending at the Effective Date to which Florida Blue is a party shall be abated or discontinued by reason of the Reorganization but may be prosecuted to final judgment by Florida Blue in the same manner as if the Reorganization had not taken place. For all purposes, Florida Blue shall be deemed to have been organized on July 1, 1980, the initial date of organization of Florida Blue.

8.02 *Boards of Directors.* From and after the Effective Date, (a) the boards of directors of Mutual Holdings, Florida Blue and Group shall consist of the same individuals as those serving on the Board of Florida Blue immediately prior to the Effective Date until new directors have been duly elected and qualified pursuant to Mutual Holdings', Florida Blue's and Group's respective articles of incorporation and bylaws, and (b) the board of directors of the Subsidiaries and all other direct and indirect subsidiaries of Mutual Holdings (other than Florida Blue and Group) shall consist of the same individuals as those serving on such boards of

directors immediately prior to the Effective Date until new directors have been duly elected and qualified pursuant to their respective articles of incorporation, bylaws or other organizational documents.

8.03 *Compensation of Directors and Officers.* No director or officer of Florida Blue shall receive any fee, commission or other valuable consideration, other than his or her usual, regular salary or compensation, for aiding, promoting or assisting with the Reorganization. There are no plans to change any existing executive compensation plans or adopt any new compensation plans as a result of the Reorganization.

8.04 *Dividends Received by Mutual Holdings.* The articles of incorporation of Mutual Holdings shall provide that Mutual Holdings will not be required to pay dividends or make any other distributions to its members, except as directed or approved by the Office.

8.05 *No Preemptive Rights.* No Member of Mutual Holdings or any other Person shall have any preemptive right to acquire shares of common stock of Florida Blue, Group, any of the Subsidiaries or any other stock company in connection with this Plan.

8.06 *Share Issuances.* Following the Effective Date, Florida Blue, Group or any stock company directly or indirectly owned by Mutual Holdings may issue additional shares of capital stock in any number of public offerings or private placements (except, with respect to those entities that are not directly or indirectly wholly owned by Mutual Holdings, as may be limited by their organizational documents or by contracts); provided, however, that (a) the issuance of additional shares by Group shall be subject to the limitations set forth in Group's Articles of Incorporation and (b) Mutual Holdings shall at all times own, directly or indirectly, a majority of the voting shares and a majority in economic value of the shares of capital stock of Florida Blue and any intermediate holding company. Following the Effective Date, the Members of Mutual Holdings shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue, Group or any other stock company directly or indirectly owned by Mutual Holdings in connection with the offering of such stock.

8.07 *Notices.* If Florida Blue complies substantially and in good faith with the requirements of Part III, Chapter 628, Florida Statutes, or the terms of this Plan with respect to the giving of any required notice to Members, its failure in any case to give such notice to any person or persons entitled thereto shall not impair the validity of the actions and proceedings taken under such Chapter or this Plan.

8.08 *Amendment, Corrections or Withdrawal of Plan.* This Plan may be amended by a majority vote of the Board in response to the comments or recommendations of the Office, or any other state or federal agency or governmental entity, before any solicitation of proxies from Members to vote on the Plan pursuant to Article VI, or at any time with the consent of the Office, except that any material amendment after the Members' approval shall require the Members' approval. This Plan may be terminated by the Board at any time before Members vote on the Plan and, otherwise, at any time with the consent of the Office. The articles of incorporation of Florida Blue, Mutual Holdings and Group adopted pursuant to this Plan may be further amended after the Effective Date pursuant to applicable law.

8.09 *Failure of Plan to Become Effective.* If the Plan does not become effective, Florida Blue will remain a not-for-profit mutual insurer, and none of the transactions described in Section 7.02 of this Plan shall occur, in which case the Membership Interests will remain unchanged. The expenses incurred in the process of proposing the Reorganization contemplated by the Plan shall be borne exclusively by Florida Blue.

8.10 *Governing Law.* The terms of this Plan shall be governed by and construed and enforced in accordance with the laws of the state of Florida, without regard to such state's principles of conflicts of laws or choice of law that will require the application of the laws of a jurisdiction other than that state.

Signature Page Follows.

IN WITNESS WHEREOF, Florida Blue, by authority of its Board, has caused this Plan to be duly executed this 5th day of June, 2013.

BLUE CROSS AND BLUE SHIELD OF
FLORIDA, INC.

By: 

Signature

Charles S. Joseph

Name

SVP, General Counsel & Corporate Secretary

Title

Attest:

Donna M. Carter

Signature

Donna M. Carter

Name

Assistant Corporate Secretary

Title

ARTICLES OF INCORPORATION
OF
GUIDEWELL MUTUAL HOLDING COMPANY

In compliance with Chapters 617 and 628, Florida Statutes, the undersigned incorporator to these Articles of Incorporation hereby forms a domestic mutual insurance holding company under the laws of the State of Florida.

ARTICLE I
ORGANIZATION

The Corporation is a domestic mutual insurance holding company organized under Chapters 617 and 628, Florida Statutes, resulting from the reorganization of Blue Cross and Blue Shield of Florida, Inc., a not for profit mutual insurer, pursuant to Chapters 617 and 628, Florida Statutes.

ARTICLE II
NAME

The name of the Corporation shall be GuideWell Mutual Holding Company (the "Corporation").

ARTICLE III
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32236

ARTICLE IV
NATURE OF BUSINESS

The Corporation is being formed to hold at all times, either directly or indirectly through one or more intermediate holding companies as permitted by law, a majority of the voting shares of the capital stock of (i) Blue Cross and Blue Shield of Florida, Inc., which was originally organized as a not for profit mutual insurer in the state of Florida and was reorganized into a stock insurer in the state of Florida, and (ii) GuideWell Health Group, Inc., which is a for profit corporation in the state of Florida. In addition, the Corporation may engage in any lawful business incidental thereto, and any other business permitted by law.

ARTICLE V
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE VI
TERM OF EXISTENCE

The Corporation shall exist perpetually.

ARTICLE VII
MEMBERS

Membership in the Corporation shall be determined by policies set forth in the Corporation's Bylaws in accordance with law. No member may transfer membership or any rights arising therefrom.

ARTICLE VIII
INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
4800 Deerwood Campus Parkway
Jacksonville, Florida 32236

ARTICLE IX
DIRECTORS

The Directors of the Corporation shall be elected by the members as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE X
DIVIDENDS

The Corporation will not be required to pay dividends or make any other distributions to its members, except as directed or approved by the Office of Insurance Regulation or such governmental officer, body or authority as may succeed it as the primary regulator of the Corporation under applicable law.

ARTICLE XI
INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XII
MEMBER ACTION WITHOUT MEETING

To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of members may be taken without a meeting, without prior notice, and without a vote if the action is taken by the members entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all members entitled to vote on such action were present and voted.

ARTICLE XIII
AMENDMENTS

The Articles of Incorporation may be amended by vote of a majority of those members present in person or represented by proxy at a lawful meeting of the members, if notice given members included due notice of the proposal to amend.

ARTICLE XIV
INCORPORATOR

The names and addresses of the incorporator is:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

**BYLAWS
OF
GUIDEWELL MUTUAL HOLDING COMPANY**

ARTICLE I - NAME, LOCATION

Section 1. Name. The name of the Corporation shall be GuideWell Mutual Holding Company.

Section 2. Location. The principal office of the Corporation shall be located at such place within Florida as the Board of Directors determines from time to time. The Corporation may have and maintain other offices within or outside of the State of Florida.

ARTICLE II - MEMBERSHIP

Section 1. General. Each policyholder of an insurance policy issued by Blue Cross and Blue Shield of Florida, Inc. shall be a member of the Corporation with all rights and obligations of membership. The term “insurance policy,” whenever it is used in these Bylaws, means a written agreement or contract for or effecting insurance, other than reinsurance.

A person immediately and automatically shall (i) become a member of the Corporation at such time as such person becomes such a policyholder and (ii) cease to be a member of the Corporation at such time as such person ceases to be such a policyholder.

Membership, or any rights appertaining thereto or derived therefrom, shall not be transferable in any manner whatsoever. Membership, or any rights appertaining thereto or derived therefrom, shall not be separated from the insurance policy, nor subject to attachment, execution or levy, nor subject to a lien, mortgage, security interest nor in any manner used as collateral or otherwise hypothecated.

ARTICLE III - MEETINGS OF MEMBERS

Section 1. Annual Meeting. An annual meeting of members shall be held each and every calendar year in the State of Florida for the purpose of electing directors and transacting such other business as may properly come before the meeting. The meeting shall be held at such place, date, and time as may be designated by the Chief Executive Officer (“CEO”) with the approval of the Board of Directors of the Corporation.

Section 2. Special Meetings. A special meeting of members for any purpose may only be called by the Secretary of the Corporation at the request of the Board of Directors or the CEO. Such request shall state the purpose or purposes and no other business outside the scope of the stated purpose or purposes shall be transacted. The time and place of each special meeting of members shall be determined by or under the authority of the Board of Directors, provided that if no such determination shall be made prior to the mailing of the notice for such meeting, the time and place for such meeting shall be determined by the CEO with the approval of the Board of Directors of the Corporation.

Section 3. Notice of Meetings. Written notice of the annual meeting and every special meeting of the members, stating the place, date, time, and the purpose or purposes of such meeting shall be given to the members entitled to vote at such meeting not less than ten (10), nor more than sixty (60), days before the date of the meeting. All such notices shall be in writing and may be communicated and shall be effective as provided in Section 617.0141 of Florida Statutes, or any successor statute.

Any member may waive notice of any meeting by signing a written waiver of notice either before or after the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of members need be specified in the waiver of notice of any meeting. The attendance of a member at any meeting shall constitute waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 4. Members' Nominations and Proposals. A member may nominate a person for election as a director only if: (A) such member shall have delivered to the Secretary of the Corporation written notice setting forth: (i) the name and address of the member; (ii) the name and address of the person to be nominated; (iii) a statement in support of the member's recommendation, including a description of the candidate's qualifications; (iv) a disclosure of any actual or potential conflicts of interest that the candidate may have with the interests of the Corporation; and (v) the candidate's written, signed consent to serve if elected, and (B) such notice is delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Board of Directors may, in its discretion, establish an alternate timeline for receipt of such notice.

A member may submit a proposal for the consideration and vote of members at a meeting only if: (A) such member shall have delivered to the Secretary of the Corporation written notice setting forth: (i) the name and address of the member; (ii) a full description of the proposal; and (iii) a disclosure of any material interest of the member in the proposal, and (B) such notice is delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Board of Directors may, in its discretion, establish an alternate timeline for receipt of such notice.

Section 5. Board's Nominations and Proposals. The Board of Directors may nominate persons for election by members to a director position and may submit proposals for the consideration and vote of members at any time prior to the meeting of members at which the election shall be held or the proposal shall be considered and voted upon.

Section 6. Quorum. Except as otherwise provided by applicable law, the members entitled to vote and present, either in person or represented by proxy, at any annual or special meeting of members shall constitute a quorum for the transaction of business at such meeting, provided that any notice of the meeting required by these Bylaws shall have been given.

Section 7. Voting Rights. Each member shall have the right at each meeting of the members to vote a number of votes equal to the monthly premium dollars attributed to such member as determined in the month immediately preceding the record date of a meeting.

Section 8. Vote Required. A majority of the member votes cast at any member meeting with a quorum shall be necessary and sufficient to approve any given matter, except that: (A) if the given matter is one upon which, by express provisions of applicable law or of the Articles of Incorporation, a different vote is required, such express provision shall govern and control the decision of such questions; and (B) directors shall be elected by a plurality vote.

Section 9. Proxies. Each member entitled to vote at a meeting of members or to otherwise express consent or dissent to corporate action may authorize another person or persons to act for such member by a written proxy, which may be an electronic proxy, filed in accordance with the procedure established for the meeting or taking of other action.

Any copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission created pursuant to this Section 9 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication, or other reproduction shall be a complete reproduction of the entire original writing or transmission. An electronic proxy (which may be transmitted via telephone, e-mail, the Internet, or such other electronic means as the Secretary of the Corporation may determine from time to time) shall be deemed executed if the Secretary of the Corporation receives an appropriate electronic transmission from the member or the member's attorney-in-fact that reasonably establishes the member or the member's attorney-in-fact as the sender of such transmission.

Section 10. Governing Rules. The Chairman of the Board ("Chairman") shall preside at all meetings of the members. In the absence of the Chairman, the Lead Director, if any, and if none then the Vice Chairman of the Board ("Vice Chairman") or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of members shall have the power to determine: (A) whether and to what extent proxies presented at the meeting shall be recognized as valid; (B) the procedure for taking and counting votes at such meeting; (C) the procedures for the conduct of such meeting; (D) the propriety of any proposal brought before the meeting; and (E) the resolution of any questions which may be raised at such meeting.

Section 11. Action by Members Without a Meeting. To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of members may be taken without a meeting, without prior notice, and without a vote if the action is taken by the members entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all members entitled to vote on such action were present and voted. Only members of record on the record date shall be entitled to consent to corporate action in writing without a meeting.

Without qualification, any member of record seeking to have the members authorize or take any action by written consent shall first request in writing that the Board of Directors fix a

record date for the purpose of determining the members entitled to take such action, which request shall be in accordance with Section 2 of Article XI of these Bylaws.

In the event of the delivery, in the manner required by this Section 11 and applicable law, to the Corporation of the requisite written consent or consents to take corporate action, the Corporation shall engage independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be authorized and effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with this Section 11 and applicable law represent at least the minimum number of votes that would be necessary to take the corporate action. The action by written consent and without a meeting will be deemed authorized and will take effect as of the date and time of the certification of the written consents and will not relate back to the date the written consents were delivered to the Corporation. In the event that the action by written consent and without a meeting elects a director or directors to the Board of Directors, such newly elected director or directors shall take office and have the authority of a director conferred upon them as of the date and time of certification, and not the date of delivery to the Corporation, of the written consents. In the event that the action by written consent and without a meeting replaces a director or directors on the Board of Directors, the authority of such replaced director or directors shall continue until the date and time of the certification of the written consents. Nothing contained in this Section 11 shall in any way be construed to suggest or imply that the Board of Directors or any member shall not be entitled to contest the validity of any consent or update or supplement thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Notwithstanding anything in these Bylaws to the contrary, no action may be taken by the members by written consent except in accordance with this Section 11. If the Board of Directors shall determine that any request to fix a record date or to take member action by written consent was not properly made in accordance with this Section 11 and Section 2 of Article XI, or the member or members seeking to take such action do not otherwise comply with this Section 11, Section 2 of Article XI or applicable law, then the Board of Directors shall not be required to fix a record date and any such purported action by written consent shall be null and void to the fullest extent permitted by applicable law.

ARTICLE IV - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the members by statute, the Articles of Incorporation, or these Bylaws.

Section 2. Qualifications. Only natural persons who are at least eighteen (18) years of age shall be qualified to become directors of the Corporation. A director of the

Corporation shall, at all times, meet the statutory and regulatory qualifications for a director of a not-for-profit mutual insurer in the State of Florida and such other qualifications as may be contained in the Corporate Governance Guidelines established by the Board or as otherwise determined by the Board. A person need not be a member to become or remain a director. A majority of the Board must be comprised of citizens of the United States.

Section 3. Number of Directors. The number of directors of the Corporation shall be, from time to time, fixed by the Board of Directors, but shall not be less than five (5) directors, and collectively such directors shall be known as the Board of Directors. The CEO and the President, if not directors, shall be *ex officio* members of the Board with all rights of directors except the right to vote and they shall not be counted for the purposes of determining a quorum.

Section 4. Election and Term. The directors shall be elected at the annual meeting of the members. The Board of Directors shall be divided into three classes as nearly equal in size as possible, with the term of office of one such class expiring each year. The term of office for directors shall be three years unless a longer or shorter term is determined necessary. Directors shall hold office until their successors are elected and qualified, or until their earlier deaths, retirements, disqualifications, resignations or removals.

Section 5. Removal. Any director may be removed with or without cause by a majority of all votes of the membership at any annual meeting or special meeting of the members called for that purpose.

Any director may be removed with cause at any regular or special meeting of the directors called for that purpose by a majority vote of the then serving directors, if the director was elected or appointed by the directors. Any director may be removed without cause at any regular meeting or special meeting of the directors called for that purpose by a two-thirds vote of the then serving directors, if the director was elected or appointed by the directors. The director or directors sought to be removed shall not be counted in computing the two-thirds vote requirement nor shall said director or directors be entitled to vote on removal.

Section 6. Resignation. A director may resign at any time by delivering written notice to the Board of Directors, or the Chairman of the Board, or the Corporation. Such resignation shall take effect when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Section 7. Vacancies. Except as otherwise provided by law, a vacancy in the Board shall be deemed to exist in the event of the death, retirement, disqualification, resignation or removal of a director, or increase in the number of directors, however caused. In the case of any such vacancy, other than a vacancy resulting from the removal of a director effected at a meeting, the remaining directors, though less than a quorum, by vote of a majority thereof, may elect a successor to fill the vacancy. Any vacancy created by the removal of a director at a meeting shall be filled by the members or directors eligible to vote for the removal. The term of any director elected or appointed to fill a vacancy expires at the next annual meeting at which directors are elected except that any director appointed by the Board to fill a vacancy resulting

from an increase in the number of directors shall serve only for a term of office continuing until the next election of directors by members.

Section 8. Compensation. No director who is an employee of the Corporation or any of its subsidiaries or affiliates shall receive any stated salary or fee for service as director. A director who is not an employee may receive such reasonable compensation for service as a director as fixed by the Board of Directors. Members of any Board Committee may receive such reasonable compensation for their duties as committee members as fixed by the Board of Directors. All directors and members of the Board and all Board Committees and Advisory Committees shall be reimbursed for their expenses incurred to attend meetings.

Section 9. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

ARTICLE V - MEETINGS OF DIRECTORS

Section 1. Annual Meeting. An annual meeting of the Board of Directors shall be held, without further notice than this Bylaw provision, following, and at the same place as, the annual meeting of the members of the Corporation.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as may be determined from time to time by the Board of Directors.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, the CEO, or the President and shall be called by any of them at the request, in writing, of at least two (2) of the directors. Such meetings of the directors may be held at any place within or outside the State of Florida as designated in the notice of any such meeting. Written notice of special meetings of the Board of Directors, but not the annual meeting or regular meetings of the Board, shall be communicated at least three (3) business days before the date of such meeting. Any director may waive any notice required to be given to such director by law, under the Articles of Incorporation, or under these Bylaws, and any attendance at any meeting shall be deemed a waiver of notice thereof, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of business because the meeting is not lawfully called.

Section 4. Quorum. Except as otherwise provided in these Bylaws or by applicable law, directors holding a majority of the positions on the Board of Directors shall constitute a quorum for transacting business at any meeting of the Board of Directors; provided that if less than a majority of such number of directors are present at any meeting, a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is obtained.

Section 5. Order of Business. The Chairman shall preside at all meetings of the Board of Directors. In the absence of the Chairman, the Lead Director, if any, or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of the Board shall have the power to determine: (A) the procedure for counting votes at such meeting; (B) procedures for the conduct of such meeting; and (C) the resolution of any questions which may be raised at such meeting.

Section 6. Manner of Acting. Except as otherwise provided in these Bylaws or by applicable law, the affirmative vote of at least a majority of the directors present at any meeting at which a quorum shall be present shall be necessary and sufficient to take or approve any action within the Board's power, and any action so taken or approved by such a majority shall be deemed to have been taken or approved by the Board of Directors. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless the director votes against the action or abstains from voting on the action, which shall be recorded in the meeting minutes.

Section 7. Meetings by Telephone Conference or Other Means of Communication. Members of the Board of Directors or any Board Committee may participate in any meeting of the Board of Directors or such Board Committee by any means of communication by which all persons participating in the meeting may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 8. Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any Board Committee may be taken without a meeting if all members of the Board or Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Committee. In the event one or more positions on the Board or any Board Committee shall be vacant at the time of the execution of any such consent, such consent shall nevertheless be effective if it shall be signed by all persons serving as members of the Board or such Committee at such time and if the persons signing the consent would be able to take the action called for by the consent at a properly constituted meeting of the Board or such Committee. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

Section 9. Conflicts of Interest. The Board shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

Section 10. Emergency Bylaws. In the event of any catastrophe or other emergency condition, as a result of which a quorum of the Board of Directors, the Executive Committee or any other standing committee of the Board cannot readily be convened for action, then the director or directors in attendance at a meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one (1) or more of themselves or other directors to membership on any standing or temporary committees of the Board as they shall deem necessary and appropriate.

ARTICLE VI - BOARD COMMITTEES

Section 1. Executive Committee. There shall be an Executive Committee consisting of the Chairman of the Board of Directors, the Vice Chairman, and the Chairman of each of the Board Governance and Nominating Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee. The Executive Committee shall have full power to manage the affairs and business of the Corporation in the event of any catastrophe or other emergency conditions as a result of which a quorum of the Board of Directors cannot readily be convened for action.

Section 2. Other Committees. There shall be a Board Governance and Nominating Committee, a Personnel and Compensation Committee, an Audit and Compliance Committee and a Finance Committee consisting of at least three (3) members each appointed by the Board of Directors, on recommendation of the Board Governance and Nominating Committee.

Other committees of the Board of Directors consisting of at least two (2) directors of the Corporation may be created from time to time by the Board of Directors. Any such committee, to the extent provided in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, in accordance with these Bylaws, the committee's charter and applicable law.

The Chairman of each committee of the Board of Directors shall be appointed by the Board of Directors on recommendation of the Board Governance and Nominating Committee.

Section 3. Terms; Procedures. Unless otherwise determined by the Board of Directors, the term of office of each committee member shall expire at the next annual meeting of the Board of Directors following the appointment of such committee member if not otherwise terminated prior thereto or until such member's successor is appointed and qualified or until such member's earlier death, retirement, disqualification, resignation or removal.

Committees shall report regularly to the Board of Directors with respect to committee activities. Any such committee shall be referred to as a "Board Committee." Except as may be otherwise prescribed by the Board of Directors, all Board Committees shall develop and operate under a written charter approved by the Board of Directors.

ARTICLE VII - ADVISORY COMMITTEES

Section 1. General. The Board of Directors or the CEO may establish Advisory Committees with such membership, duties, and purposes (including advising and consulting with the Board of Directors or the Corporation's management), and governance procedures, as the Board of Directors or the CEO, as appropriate, shall designate from time to time. Such committees are referred to in these Bylaws as "Advisory Committees." No Advisory Committee shall have or may exercise any of the powers or authority of the Board of Directors or any of the officers of the Corporation in the management of the business and affairs of the Corporation.

ARTICLE VIII - OFFICERS

Section 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board of Directors may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board of Directors may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board of Directors. One person may simultaneously hold any two or more offices.

Section 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board of Directors pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board of Directors.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed

upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board of Directors shall be subject to the approval of the Board of Directors.

Section 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board of Directors from time to time.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

Section 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

Section 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board of Directors or by amendment to these Bylaws.

Section 8. Secretary. The Secretary shall, subject to the supervision of the Board of Directors and the CEO: keep the minutes of the meetings of members and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each member which shall be furnished to the Secretary by such member; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any

resolution adopted by the Corporation's members, Board of Directors or Board Committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

Section 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

Section 10. Treasurer. The Treasurer shall, subject to the supervision of the Board of Directors and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board of Directors.

Section 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board of Directors, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

Section 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

Section 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IX - INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. Indemnification. The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii)

is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 1 of this Article IX, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 1(A) or 1(B) of this Article IX has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 1 of this Article IX have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article IX, except for Proceedings to enforce rights provided in this Article IX, the Corporation shall not be obligated under this Article IX to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board of Directors.

Section 2. Successful Defense of Proceedings. To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 1 of this Article IX, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Section 3. Insurance. The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or the applicable provisions of Florida law.

Section 4. Advancement of Expenses. The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 1 of this Article IX to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another Corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 1 of this Article IX upon such terms or conditions that the Board of Directors deems appropriate.

Section 5. Continuation of Indemnification and Advancement of Expenses. Indemnification and advancement of expenses as provided in this Article IX shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article IX to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

Section 6. Indemnification Contracts. The indemnification and advancement of expenses provided by this Article IX shall not be deemed exclusive of any other

rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of members or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a member.

Section 7. Savings Clause. If this Article IX or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article IX that shall not have been invalidated and as permitted by applicable law.

Section 8. Certain Definitions. For purposes of this Article IX, the term: (A) "corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) "director" includes director emeritus; (C) "expenses" includes counsel fees, including those for appeal; (D) "liability" includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) "Proceeding" includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) "agent" includes a volunteer; (G) "serving at the request of the corporation" includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) "not opposed to the best interest of the Corporation" describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Section 607.0850 of Florida Business Corporation Act, Section 617.0831 of the Florida Not For Profit Corporation Act and Section 628.703 under Part III, Chapter 628, Florida Statutes.

ARTICLE X - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

Section 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

Section 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE XI - GENERAL PROVISIONS

Section 1. Record Owner of Policies. The Corporation may (but shall not be required to) treat the person in whose name insurance policies stand on the books of the Corporation as the only person having the right to vote with respect to such insurance policies and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such insurance policies on the part of any other person, whether or not it shall have express or other notice thereof. The Corporation may rely on the last known address of a person, as such address stands on the books of the Corporation, in providing any notice required hereunder or as otherwise required under these bylaws or any law or regulation.

Section 2. Record Dates. (A) Except as provided in clause (B) of this Section 2, for the purpose of (i) determining members entitled to notice of or to vote at any meeting of members or to take action by written consent without a meeting of members, or (ii) determining the number of votes to which each member is entitled at any meeting of members or to take action by written consent without a meeting of members, or (iii) in order to make a determination of members for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of members or votes, such date in any case to be not less than ten (10) days, nor more than sixty (60) days, immediately preceding such meeting or action requiring a determination of members or votes.

If no record date is fixed for the determination of members entitled to notice of or to vote at any meeting of members or the number of votes to which each member is entitled at any meeting of members, the close of business on the day immediately preceding the date on which notice of the meeting is given (or in the case of an annual meeting of members for which no record date is fixed, the date which is ten (10) days immediately preceding such meeting) shall be the record date for such determination of members or votes. When a determination of members entitled to notice of or to vote at any meeting of members and the numbers of votes to

which each such member is entitled has been made as provided in this Section 2, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date for the adjourned meeting, which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

(B) Any member of record seeking to have the members authorize or take any action by written consent shall first request in writing that the Board of Directors fix a record date for the purpose of determining the members entitled to take such action, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal office of the Corporation. Within ten (10) days after receipt of a request in proper form and otherwise in compliance with this Section 2 and Section 11 of Article III of these Bylaws from any such member, the Board of Directors may adopt a resolution fixing a record date for the purpose of determining the members entitled to take such action, which date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no resolution fixing a record date has been adopted by the Board of Directors within such ten (10) day period after the date on which such a request is received, (i) the record date for determining members entitled to consent to such action, when no prior action of the Board of Directors is required by applicable law, shall be the first date after the expiration of such ten (10) day time period, on which a valid signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with this Section 2 and Section 11 of Article III of these Bylaws and applicable law, and (ii) the record date for determining members entitled to consent to such action, when prior action by the Board of Directors is required by applicable law, shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

To be in proper form for purposes of this clause (B) of this Section 2, a request by a member for the Board of Directors to fix a record date shall set forth the name and address of the member and the following information: (A) if the action or actions proposed to be taken by written consent relate to a proposal other than the election of directors, a full description of the proposal and disclosure of any material interest of the member in the proposal; and (B) if directors are proposed to be elected by written consent, the information that would be required by Section 4(A)(i)-(v) of Article III of these Bylaws if the member were nominating a person for election as a director at a meeting of members.

Section 3. Voting Securities Issued by Another Corporation. Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE XII - AMENDMENTS

Section 1. **Amendments.** Unless otherwise provided by law, these Bylaws may be amended, altered, or repealed and new Bylaws may be adopted by the Board of Directors of the Corporation at any meeting of the Board of Directors, or by the members at any regular or special meeting of the members of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, recision, or other changes.

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

I am the President of Blue Cross and Blue Shield of Florida, Inc., a Florida corporation under Chapters 617 and 628, Florida Statutes, and I do hereby certify that:

1. The name of the Corporation is Blue Cross and Blue Shield of Florida, Inc.; and
2. In compliance with Chapter 628, Florida Statutes, a majority of those members of Blue Cross and Blue Shield of Florida, Inc. present in person or represented by proxy at a lawful meeting of the members held on September 10, 2013, affirmatively voted to adopt these Amended and Restated Articles of Incorporation and the number of votes cast was sufficient for approval.

Therefore, the Corporation hereby amends and restates its Articles of Incorporation to read as follows:

ARTICLE I
ORGANIZATION

The Corporation is a company organized under the Florida Business Corporations Act pursuant to a reorganization in accordance with Chapter 628, Florida Statutes.

ARTICLE II
NAME

The name of the Corporation shall be Blue Cross and Blue Shield of Florida, Inc. (the "Corporation").

ARTICLE III
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE IV
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE V PURPOSE

The general purpose of the Corporation shall be to establish, maintain and operate an insurance company in the State of Florida to promote the betterment of public health through the availability of health insurance, and to engage in programs to contain health care costs and provide for the mutual protection and benefit of those persons who hold insurance policies issued by the Corporation or have a beneficial interest in such policies, by providing and operating an effective and progressive prepayment and financing mechanism for health care services consistent with the needs of the community through developing and implementing innovative methods to deal with the economic and delivery opportunities and problems of health care and to serve in the capacity as an administrator of federal, state and local government financed health care programs, and to assist, in an underwriting capacity and otherwise, mutual and non-profit corporations incorporated in and doing business in other states, territories and possessions of the United States in their providing of hospital, medical and other health care services and in their activities as administrators of federal, state and local government and privately financed health care programs.

The Corporation shall be authorized to engage in the transaction of any form of disability insurance or health insurance business and any other type of insurance which may be written by a health or disability insurer, including, without limitation, any type of program which may be transacted by a care service plan corporation, and to engage in any activities, reasonably and necessarily incidental to such insurance business and any other activity permitted by law.

It is hereby provided that said purposes are not intended to limit or restrict in any manner the powers or purposes of the Corporation to any extent permitted by law, nor shall the expression of one thing be deemed to exclude another although it be of like nature.

The Corporation is subject to and shall be entitled to the exemptions and provisions of the Laws of Florida, Chapter 628 "Stock and Mutual Insurers; Holding Companies."

ARTICLE VI STOCK

The aggregate number of shares which the corporation shall have authority to issue shall be 1,000,000 shares of common stock at par value \$1.00 each.

ARTICLE VII SHAREHOLDERS

A majority of the shares of Common Stock of the Corporation shall be owned at all times, either directly or indirectly through one or more intermediate holding companies, by GuideWell Mutual Holding Company.

ARTICLE VIII TERM OF EXISTENCE

The Corporation shall exist perpetually unless sooner dissolved according to law.

ARTICLE IX
INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
200 E. Gaines St.
Tallahassee, FL 32399

ARTICLE X
DIRECTORS

The Corporation shall never have less than five (5) directors. The number of directors that shall constitute the Board of Directors of the Corporation shall be set forth from time to time in the Bylaws. The Directors of the Corporation shall be elected by the shareholders as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE XI
INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XII
SHAREHOLDER ACTION WITHOUT A MEETING

Any action required or permitted by Florida law to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted.

ARTICLE XIII
AMENDMENTS

The power to amend the Articles of Incorporation shall be reserved exclusively to the shareholders.

ARTICLE XIV
INCORPORATORS

The names and addresses of the incorporators are:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway

	Jacksonville, FL 32246
Charles S. Joseph	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246
Joyce A. Kramzer	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246
Jon R. Urbanek	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246
Robert E. Wall	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246

EXHIBIT C

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

Charles S. Joseph

Joyce A. Kramzer

Jon R. Urbanek

Robert E. Wall

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

SECOND AMENDED AND RESTATED BYLAWS
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

ARTICLE I - NAME, LOCATION

Section 1. Name. The name of the Corporation shall be Blue Cross and Blue Shield of Florida, Inc.

Section 2. Location. The principal office of the Corporation shall be located at such place within Florida as the Board of Directors determines from time to time. The term “Board” whenever it is used in these Bylaws means the Corporation’s Board of Directors. The Corporation may have and maintain other offices within or outside of the State of Florida.

ARTICLE II – SHAREHOLDERS

Section 1. General. GuideWell Mutual Holding Company shall be the initial shareholder of the Corporation.

ARTICLE III - MEETINGS OF SHAREHOLDERS

Section 1. Annual Meeting. An annual meeting of members shall be held each and every calendar year in the State of Florida for the purpose of electing directors and transacting such other business as may properly come before the meeting. The meeting shall be held at such place, date, and time as may be designated by the Chief Executive Officer (“CEO”) with the approval of the Board of Directors of the Corporation.

Section 2. Special Meetings. A special meeting of shareholders for any purpose may only be called by the Secretary of the Corporation at the request of the Board of Directors or the CEO. Such request shall state the purpose or purposes and no other business outside the scope of the stated purpose or purposes shall be transacted. The time and place of each special meeting of shareholders shall be determined by or under the authority of the Board of Directors, provided that if no such determination shall be made prior to the mailing of the notice for such meeting, the time and place for such meeting shall be determined by the CEO with the approval of the Board of Directors of the Corporation.

Section 3. Notice of Meetings. Notice of the annual meeting and special meetings of the shareholders shall be given no fewer than ten (10) days nor more than sixty (60) days prior thereto. In the case of a special meeting, the notice shall contain the purpose for which it is called.

Section 4. Quorum. Except as otherwise provided by applicable law, the shareholders entitled to vote and present, either in person or represented by proxy, at any annual or special meeting of shareholders shall constitute a quorum for the transaction of business at

such meeting, provided that any notice of the meeting required by these Bylaws shall have been given.

Section 5. Voting Rights. Each shareholder shall have the right at each meeting of the shareholders to one vote per share on each matter presented for shareholder approval.

Section 6. Vote Required. A majority of the shareholder votes cast at any shareholder meeting with a quorum shall be necessary and sufficient to approve any given matter, except that: (A) if the given matter is one upon which, by express provisions of applicable law or of the Articles of Incorporation, a different vote is required, such express provision shall govern and control the decision of such questions; and (B) directors shall be elected by a plurality vote.

Section 7. Proxies. Each shareholder entitled to vote at a meeting of shareholders or to otherwise express consent or dissent to corporate action may authorize another person or persons to act for such shareholder by a written proxy, which may be an electronic proxy, filed in accordance with the procedure established for the meeting or taking of other action.

Section 8. Action by Shareholders Without a Meeting. To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the shareholders entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all shareholders entitled to vote on such action were present and voted. Only shareholders of record on the record date shall be entitled to consent to corporate action in writing without a meeting.

ARTICLE IV - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the shareholders by statute, the Articles of Incorporation, or these Bylaws.

Section 2. Qualifications. Only natural persons who are at least eighteen (18) years of age shall be qualified to become directors of the Corporation. A director of the corporation shall, at all times, meet the statutory and regulatory qualifications for a director of a stock insurer in the State of Florida and such other qualifications as may be contained in the Corporate Governance Guidelines established by the Board or as otherwise determined by the Board. A person need not be a shareholder to become or remain a director. A majority of the Board must be comprised of citizens of the United States.

Section 3. Number of Directors. The number of directors of the Corporation shall be, from time to time, fixed by the Board of Directors, but shall not be less than five (5) directors, and collectively such directors shall be known as the Board of Directors. The CEO and the President, if not directors, shall be ex officio members of the Board with all rights of

directors except the right to vote and they shall not be counted for the purposes of determining a quorum.

Section 4. Election and Term. The directors shall be elected at the annual meeting of the shareholders. The Board of Directors shall be divided into three classes as nearly equal in size as possible, with the term of office of one such class expiring each year. The term of office for directors shall be three years unless a longer or shorter term is determined necessary. Directors shall hold office until their successors are elected and qualified, or until their earlier deaths, retirements, disqualifications, resignations or removals.

Section 5. Initial Directors. The initial Board of Directors shall be the current Board of Directors of the Corporation and shall hold office until the next annual meeting of shareholders or until their successors are elected and qualified, or until their earlier deaths, retirements, disqualifications, resignations or removals, if earlier than the next annual meeting of shareholders. In no event shall the term of the initial Board of Directors exceed one year.

Section 6. Removal. Any director may be removed with or without cause by a majority of all votes of the shareholders, if the director was elected or appointed by the shareholders at any annual meeting or special meeting of the shareholders called for that purpose.

Any director may be removed with cause at any regular or special meeting of the directors called for that purpose by a majority vote of the then serving directors, if the director was elected or appointed by the directors. Any director may be removed without cause at any regular meeting or special meeting of the directors called for that purpose by a two-thirds vote of the then serving directors, if the director was elected or appointed by the directors. The director or directors sought to be removed shall not be counted in computing the two-thirds vote requirement nor shall said director or directors be entitled to vote on removal.

Section 7. Resignation. A director may resign at any time by delivering written notice to the Board of Directors, or the Chairman of the Board, or the Corporation. Such resignation shall take effect when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Section 8. Vacancies. Except as otherwise provided by law, a vacancy in the Board shall be deemed to exist in the event of the death, retirement, disqualification, resignation or removal of a director, or increase in the number of directors, however caused. In the case of any such vacancy, other than a vacancy resulting from the removal of a director effected at a meeting, the remaining directors, though less than a quorum, by vote of a majority thereof, may elect a successor to fill the vacancy. Any vacancy created by the removal of a director at a meeting shall be filled by the shareholders or directors eligible to vote for the removal. The term of any director elected or appointed to fill a vacancy expires at the next annual meeting at which directors are elected except that any director appointed by the Board to fill a vacancy resulting from an increase in the number of directors shall serve only for a term of office continuing until the next election of directors by shareholders.

Section 9. Compensation. No director who is an employee of the Corporation or any of its subsidiaries or affiliates shall receive any stated salary or fee for service as director. A director who is not an employee may receive such reasonable compensation for service as a director as fixed by the Board of Directors. Members of any Board Committee may receive such reasonable compensation for their duties as committee members as fixed by the Board of Directors. All directors and members of the Board and all Board Committees and Advisory Committees shall be reimbursed for their expenses incurred to attend meetings.

Section 10. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

ARTICLE V - MEETINGS OF DIRECTORS

Section 1. Annual Meeting. An annual meeting of the Board of Directors shall be held, without further notice than this Bylaw provision, following, and at the same place as, the annual meeting of the shareholders of the Corporation.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as may be determined from time to time by the Board of Directors.

Section 3. Special Meetings. Special meetings of the directors may be called by the chairperson of the Board of Directors, president, secretary, or by the written request of at least one-third of the members of the Board of Directors on at least five (5) days' notice to each director.

Section 4. Quorum. Except as otherwise provided in these Bylaws or by applicable law, directors holding a majority of the positions on the Board of Directors shall constitute a quorum for transacting business at any meeting of the Board of Directors; provided that if less than a majority of such number of directors are present at any meeting, a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is obtained.

Section 5. Order of Business. The Chairman shall preside at all meetings of the Board of Directors. In the absence of the Chairman, the Lead Director, if any, or such other

person as designated by the Board of Directors shall preside. The person presiding at any meeting of the Board shall have the power to determine: (A) the procedure for counting votes at such meeting; (B) procedures for the conduct of such meeting; and (C) the resolution of any questions which may be raised at such meeting.

Section 6. Manner of Acting. Except as otherwise provided in these Bylaws or by applicable law, the affirmative vote of at least a majority of the directors present at any meeting at which a quorum shall be present shall be necessary and sufficient to take or approve any action within the Board's power, and any action so taken or approved by such a majority shall be deemed to have been taken or approved by the Board of Directors. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless the director votes against the action or abstains from voting on the action, which shall be recorded in the meeting minutes.

Section 7. Meetings by Telephone Conference or Other Means of Communication. Members of the Board of Directors or any Board Committee may participate in any meeting of the Board of Directors or such Board Committee by any means of communication by which all persons participating in the meeting may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 8. Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any Board Committee may be taken without a meeting if all members of the Board or Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Committee. In the event one or more positions on the Board or any Board Committee shall be vacant at the time of the execution of any such consent, such consent shall nevertheless be effective if it shall be signed by all persons serving as members of the Board or such Committee at such time and if the persons signing the consent would be able to take the action called for by the consent at a properly constituted meeting of the Board or such Committee. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

Section 9. Conflicts of Interest. The Board shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such

member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

Section 10. Emergency Bylaws. In the event of any emergency, as a result of which a quorum of the Board of Directors, the Executive Committee or any other standing committee of the Board cannot readily be convened for action, then the director or directors in attendance at a meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one (1) or more of themselves or other directors to membership on any standing or temporary committees of the Board as they shall deem necessary and appropriate.

ARTICLE VI - BOARD COMMITTEES

Section 1. Executive Committee. There shall be an Executive Committee consisting of the Chairman of the Board of Directors, the Vice Chairman, and the Chairman of each of the Board Governance and Nominating Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee. The Executive Committee shall have full power to manage the affairs and business of the Corporation in the event of any emergency, as a result of which a quorum of the Board of Directors cannot readily be convened for action.

Section 2. Other Committees. There shall be a Board Governance and Nominating Committee, a Personnel and Compensation Committee, an Audit and Compliance Committee and a Finance Committee consisting of at least three (3) members each appointed by the Board of Directors, on recommendation of the Board Governance and Nominating Committee.

Other committees of the Board of Directors consisting of at least two (2) directors of the Corporation may be created from time to time by the Board of Directors. Any such committee, to the extent provided in the resolution of the Board establishing such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, in accordance with these Bylaws, the committee's charter and applicable law.

The Chairman of each committee of the Board of Directors shall be appointed by the Board on recommendation of the Board Governance and Nominating Committee.

Section 3. Terms; Procedures. Unless otherwise determined by the Board of Directors, the term of office of each committee member shall expire at the next annual meeting of the Board of Directors following the appointment of such committee member if not otherwise terminated prior thereto or until such member's successor is appointed and qualified or until such member's earlier death, retirement, disqualification, resignation or removal.

Committees shall report regularly to the Board of Directors with respect to committee activities. Any such committee shall be referred to as a "Board Committee." Except as may be otherwise prescribed by the Board of Directors, all Board Committees shall develop and operate under a written charter approved by the Board of Directors.

ARTICLE VII - ADVISORY COMMITTEES

Section 1. General. The Board of Directors or the CEO may establish Advisory Committees with such membership, duties, and purposes (including advising and consulting with the Board of Directors or the Corporation's management), and governance procedures, as the Board or the CEO, as appropriate, shall designate from time to time. Such committees are referred to in these Bylaws as "Advisory Committees." No Advisory Committee shall have or may exercise any of the powers or authority of the Board of Directors or any of the officers of the Corporation in the management of the business and affairs of the Corporation.

ARTICLE VIII - OFFICERS

Section 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board. One person may simultaneously hold any two or more offices.

Section 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board shall be subject to the approval of the Board.

Section 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from

among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board from time to time.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

Section 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

Section 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board or by amendment to these Bylaws.

Section 8. Secretary. The Secretary shall, subject to the supervision of the Board and the CEO: keep the minutes of the meetings of shareholders and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each shareholder which shall be furnished to the Secretary by such shareholder; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any resolution adopted by the Corporation's shareholders, Board of Directors or Board Committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

Section 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

Section 10. Treasurer. The Treasurer shall, subject to the supervision of the Board and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any

source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board.

Section 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

Section 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever, in the judgment of the Board, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

Section 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IX - INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. Indemnification. The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or

was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 1 of this Article IX, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 1(A) or 1(B) of this Article IX has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 1 of this Article IX have been granted shall be referred to as an “Indemnified Person.”

Notwithstanding anything contained in this Article IX, except for Proceedings to enforce rights provided in this Article IX, the Corporation shall not be obligated under this Article IX to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board.

Section 2. Successful Defense of Proceedings. To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 1 of this Article IX, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Section 3. Insurance. The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or the applicable provisions of Florida law.

Section 4. Advancement of Expenses. The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 1 of this Article IX to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 1 of this Article IX upon such terms or conditions that the Board of Directors deems appropriate.

Section 5. Continuation of Indemnification and Advancement of Expenses. Indemnification and advancement of expenses as provided in this Article IX shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

Section 6. Indemnification Contracts. The indemnification and advancement of expenses provided by this Article IX shall not be deemed exclusive of any other rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a shareholder.

Section 7. Savings Clause. If this Article IX or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and as permitted by applicable law.

Section 8. Certain Definitions. For purposes of this Article IX, the term: (A) “corporation” includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) “director” includes director emeritus; (C) “expenses” includes counsel fees, including those for appeal; (D) “liability” includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) “Proceeding” includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) “agent” includes a volunteer; (G) “serving at the request of the corporation” includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) “not opposed to the best interest of the Corporation” describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Section 607.0850 of Florida Business Corporation Act.

ARTICLE X - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

Section 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

Section 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other

purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE XI - GENERAL PROVISIONS

Section 1. Voting Securities Issued by Another Corporation. Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE XII - AMENDMENTS

Section 1. Amendments. Unless otherwise provided by law, these Bylaws may be amended, altered, or repealed and new Bylaws may be adopted by the Board of Directors of the Corporation at any meeting of the Board of Directors, or by the shareholders at any regular or special meeting of the shareholders of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, rescission, or other changes.

ARTICLES OF INCORPORATION
OF
GUIDEWELL HEALTH GROUP, INC.

ARTICLE I
ORGANIZATION

The Corporation is a company organized under Chapter 607, the Florida Business Corporations Act, pursuant to a reorganization in accordance with Chapter 628, Florida Statutes.

ARTICLE II
NAME

The name of the Corporation shall be GuideWell Health Group, Inc. (the “Corporation”).

ARTICLE III
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE IV
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE V
PURPOSE

The purpose for which the corporation is organized is to engage in any lawful act or activity for which a corporation may be organized under the Florida General Corporation Act.

ARTICLE VI
STOCK

The aggregate number of shares which the corporation shall have authority to issue shall be 1,000,000 shares of common stock at no par value each.

ARTICLE VII SHAREHOLDERS

A majority of the shares of Common Stock of the Corporation shall be owned at all times, either directly or indirectly through one or more intermediate holding companies, by GuideWell Mutual Holding Company (“GuideWell Mutual”), provided, however, that this requirement may be eliminated upon the demutualization of GuideWell Mutual or upon a vote of the members of GuideWell Mutual.

For the purposes of this Article, a “majority of the shares of Common Stock of the Corporation” shall be defined as no less than 51% of the shares of Common Stock of the Corporation.

ARTICLE VIII TERM OF EXISTENCE

The Corporation shall exist perpetually unless sooner dissolved according to law.

ARTICLE IX INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE X DIRECTORS

The Directors of the Corporation shall be elected by the shareholders as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE XI INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XII SHAREHOLDER ACTION WITHOUT A MEETING

Any action required or permitted by Florida law to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting

group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted.

ARTICLE XIII
AMENDMENTS

The power to amend the Articles of Incorporation shall be reserved exclusively to the shareholders.

ARTICLE XIV
INCORPORATOR

The name and addresses of the incorporator is:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

BYLAWS
OF
GUIDEWELL HEALTH GROUP, INC.

ARTICLE I

Corporation Meetings

SECTION 1. Annual Meeting. The annual meeting of the shareholders shall be held at the principal office of the Corporation in Jacksonville, Florida or at such other place within or without the State of Florida as may be designated by the chairperson of the Board of Directors, by the chief executive officer, by a majority of the directors or by shareholders owning fifty percent or more of the voting power of the Corporation in the notice of such meeting.

SECTION 2. Special Meetings. Special meetings of the shareholders may be called by the chairperson of the Board of Directors, the president, the secretary, the written request of one-third of the members of the Board of Directors or by written demand to the secretary by the holders of at least 10% of all votes entitled to be cast on any issue.

SECTION 3. Notice. Notice of the annual meeting and special meetings of the shareholders shall be given no fewer than ten (10) days nor more than sixty (60) days prior thereto. In the case of a special meeting, the notice shall contain the purpose for which it is called.

SECTION 4. Voting and Proxies. Each shareholder shall be entitled to one vote per share at all meetings of the shareholders. Representation by written proxy shall be allowed. Proxies for a specific meeting shall only be valid for that meeting and any adjournment thereof.

SECTION 5. Action Without Meeting. Any action required or permitted to be taken by the shareholders of the Corporation at a duly called annual or special meeting of the shareholders of the Corporation may be taken by unanimous written consent in lieu of a meeting.

SECTION 6. Action by Telephonic Communications. Shareholders of record of the Corporation may participate in any meeting of shareholders by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in any meeting pursuant to this provision shall constitute presence in person at such meeting.

SECTION 7. Quorum. Holders of a majority of the outstanding shares entitled to vote shall constitute a quorum at any meeting of the shareholders and a majority of those voting may decide any issue unless otherwise required by law, the amended and restated articles of incorporation of the Corporation or these bylaws.

ARTICLE II

Board of Directors

SECTION 1. Election - Term of Office. The number of directors may be increased or decreased from time to time in accordance with the same procedure as is required for amending these Bylaws, but shall never be less than five. The directors shall serve staggered three-year terms such that a proportionate number of directors' terms expires at each annual meeting of the shareholders. At each annual meeting of shareholders, the successor or successors of the directors whose term expires at that meeting shall be elected by a majority of the votes cast by shareholders present in person or represented by proxy at such meeting and entitled to vote on the election of directors, and shall hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election. The directors elected to each class shall hold office until their successors are duly elected and qualified or until their earlier death, disqualification, resignation, or removal. The current Board of Directors and the years that their respective terms of office expire are as follows:

<u>Name</u>	<u>Expiration of Term</u>
Patrick J. Geraghty	2014
Robert M. Beall, II	2015
Leerie T. Jenkins, Jr.	2014
Catherine P. Bessant	2016
Barbara S. Thomas	2016
Steven T. Halverson	2016
Tracy A. Leinbach	2015
John B. Ramil	2014
Frank P. Scruggs, Jr.	2015
Gonzalo F. Valdes-Fauli	2016

SECTION 2. Vacancies. Vacancies either in the total number of directors or in the unexpired terms of members of the Board of Directors or in any elected office caused for any reason between annual meetings may be filled by the directors.

SECTION 3. Duties. The directors shall manage the business of the Corporation and shall exercise all the powers as may be exercised by the Corporation. They shall, by resolution, fix the compensation of the directors. The directors shall have the authority to remove any director for cause. The directors may elect committees and shall specify the purpose of such committees and prescribe their powers and duties not inconsistent with the law or these Bylaws. A majority of the members of a committee so elected shall constitute a quorum at any meeting of said committee. The directors shall designate a chief executive officer who shall be either the president or the chairperson of the Board of Directors. The directors shall elect the president

who need not be of and from their number. If they elect a chairperson of the Board of Directors, same shall likewise be elected of and from their number. The directors shall also elect the other officers as are called for in these Bylaws and they may elect such additional officers as are by them deemed necessary.

SECTION 4. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

SECTION 5. Regular Meetings. A meeting of the directors shall be held following the annual meeting of the shareholders of the Corporation.

SECTION 6. Special Meetings. Special meetings of the directors may be called by the chairperson of the Board of Directors, president, secretary, or by the written request of at least one-third of the members of the Board of Directors on at least five (5) days' notice to each director.

SECTION 7. Governing Rules. The Chairman of the Board ("Chairman") shall preside at all meetings of the members. In the absence of the Chairman, the Lead Director, if any, and if none then the Vice Chairman of the Board ("Vice Chairman") or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of members shall have the power to determine: (A) whether and to what extent proxies presented at the meeting shall be recognized as valid; (B) the procedure for taking and counting votes at such meeting; (C) the procedures for the conduct of such meeting; (D) the propriety of any proposal brought before the meeting; and (E) the resolution of any questions which may be raised at such meeting.

SECTION 8. Action Without Meeting. Any action required or permitted to be taken by the directors of the Corporation at a duly called meeting of the directors of the Corporation may be taken by unanimous written consent in lieu of a meeting.

SECTION 9. Action by Telephonic Communications. Members of the Board of Directors of the Corporation may participate in any meeting of directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in any meeting pursuant to this provision shall constitute presence in person at such meeting.

SECTION 10. Quorum. A majority of the members of the Board of Directors duly elected shall constitute a quorum at any meeting of the directors.

SECTION 11. Waiver of Notice. When all directors are present at any meeting of the Board of Directors and same may not have been properly called or notified, or when all members are not present but a quorum as required by these Bylaws is present, and all absent members shall sign a written consent thereto, the action taken at such meeting shall be valid as if properly called and noticed.

SECTION 12. Emergency Powers. If, as the result of a catastrophe or other emergency conditions a meeting of the Board of Directors, with the number required to be present by other provisions of these Bylaws cannot feasibly be convened, then the number required for a quorum shall be the minimum number required by the statute in effect at the time of the meeting and this provision shall supersede the quorum requirement otherwise stated in these Bylaws. Notwithstanding any other provisions of these Bylaws, the directors may, at any time, adopt a resolution in accordance with authority now or hereafter vested in it under which, to the extent and upon the terms stated therein, corporate powers may be exercised during the existence of emergency conditions.

ARTICLE III

Officers

SECTION 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board of Directors may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board of Directors may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board of Directors. One person may simultaneously hold any two or more offices.

SECTION 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board of Directors pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board of Directors.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed

upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board of Directors shall be subject to the approval of the Board of Directors.

SECTION 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

SECTION 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

SECTION 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board of Directors or by amendment to these Bylaws.

SECTION 8. Secretary. The Secretary shall, subject to the supervision of the Board of Directors and the CEO: keep the minutes of the meetings of members and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each member which shall be furnished to the Secretary by such member; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any

resolution adopted by the Corporation's members, Board of Directors or Board committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

SECTION 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

SECTION 10. Treasurer. The Treasurer shall, subject to the supervision of the Board of Directors and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board of Directors.

SECTION 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board of Directors, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

SECTION 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

SECTION 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IV

Certificates Of Stock

The interest of each stockholder of the Corporation shall be evidenced by certificates or shares of stock certifying the number of shares represented thereby and in such form not inconsistent with the articles of incorporation as the Board of Directors may from time to time prescribe. The certificate of stock shall be signed by the president or a vice president and by the treasurer or an assistant treasurer and sealed with the seal of the Corporation. Such signatures may be facsimiles if the certificate is signed by a transfer agent of the Corporation other than a director, officer or employee of the Corporation. In case any officer who has signed or whose

facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he/she were such officer at the time of its issue.

ARTICLE V

Certain Transactions; Indemnification

SECTION 1. Transactions between Directors and Officers and the Corporation.

The Board of Directors shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board of Directors had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

The Board of Directors shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

SECTION 2. Indemnification of Officers, Directors, Employees and Agents.

The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation

has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 2 of this Article V, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 2(A) or 2(B) of this Article V has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 2 of this Article V have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article V, except for Proceedings to enforce rights provided in this Article V, the Corporation shall not be obligated under this Article V to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board.

To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 2 of this Article V, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article V or the applicable provisions of Florida law.

The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 2 of this Article V to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 2 of this Article V upon such terms or conditions that the Board of Directors deems appropriate.

Indemnification and advancement of expenses as provided in this Article V shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

The indemnification and advancement of expenses provided by this Article V shall not be deemed exclusive of any other rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had

reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a shareholder.

If this Article V or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and as permitted by applicable law.

For purposes of this Article V, the term: (A) "Corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) "director" includes director emeritus; (C) "expenses" includes counsel fees, including those for appeal; (D) "liability" includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) "Proceeding" includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) "agent" includes a volunteer; (G) "serving at the request of the Corporation" includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) "not opposed to the best interest of the Corporation" describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Chapter 607, the Florida Business Corporation Act, Chapter 617, the Florida Not For Profit Corporation Act and Chapter 628, Florida Statutes.

ARTICLE VI

Contracts, Checks and Deposits

SECTION 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

SECTION 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

SECTION 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE VII

Voting Securities Issued by Another Corporation

Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE VIII

Subordination to Law

Every part of each section of these Bylaws shall be construed, whenever possible, as being consistent with applicable laws, and only such part as is clearly inconsistent, and to the extent that it is clearly inconsistent, shall be inoperative; and such part to the extent not clearly inconsistent and all other parts of the section and all other sections shall remain operative.

ARTICLE IX

Contributions

The Board of Directors may, subject to the restrictions imposed by law and to such rules as it may adopt, make or authorize contributions by the Corporation in such forms and in such amounts as it deems to be reasonable for public welfare or for charitable, scientific or educational purposes.

ARTICLE X

Amendments

These Bylaws may be amended by the Board of Directors or by the affirmative vote of a majority of the shareholders voting at a meeting of shareholders at which a quorum is present, in person or by proxy.

EXHIBIT G

ANALYSIS OF ALTERNATIVE TRANSACTIONS

The Board believes a mutual insurer structure protects the independence and is to the benefit of, Florida Blue and its policyholders. A mutual insurance holding company structure provides this same protection while adding flexibility that will enable Florida Blue to advance its mission, remain financially strong for its members and substantially enable core transformation and diversification. Other alternative transactions are not considered viable. They involve either unacceptable public policy risk, risk to Florida Blue's independence, risk of financial claims by third persons, or a combination of these risks. Such alternative transactions and significant related risks are set forth below:

1. Maintaining Current Structure as a Florida Not-for-Profit, Mutual Insurance Company:
 - Highly regulated structure resulting from not-for-profit, mutual insurance company parent impedes diversification, investment and acquisitions
 - Surplus cannot be distributed as dividends to affiliates
 - Inability to access equity markets to support growth and diversification through acquisitions, service and market expansion, and technology investment
2. Demutualization and Conversion of Florida Blue into a Stock Insurance Company
 - Would require legislation to authorize the conversion to a stock company
 - The potential conflict between the general obligations arising under the not-for-profit corporation act and the specific obligations of a mutual insurance company operating for the mutual benefit of its members
 - Would require an IPO or, more likely, acquisition of Florida Blue by a public company to replace distributed surplus, which would put Florida Blue's independence at risk
3. The Double Redomestication Approach to Conversion
 - Found to be impractical
 - Would require the acquiescence of regulators in two states
 - The potential conflict between the general obligations arising under the not-for-profit corporation act and the specific obligations of a mutual insurance company operating for the mutual benefit of its members

4. Spin-Off and IPO

- Would require transfer of substantial assets of Florida Blue to a subsidiary to create sufficient market value, a transaction that would likely be treated as a partial or full demutualization of Florida Blue under Florida statutes
- The potential conflict between the general obligations arising under the not-for-profit corporation act and the specific obligations of a mutual insurance company operating for the mutual benefit of its members
- Would present securities law conflict of interest issues

5. Legislative Approaches to Specifically Authorize a Reorganization of Florida Blue

- Would present unacceptable public policy risk of uncertain outcome that could threaten the independence of Florida Blue

6. Conversion to a Not-For-Profit Insurance Company and Reorganization into a Mutual Insurance Holding Company System

- Existing insurance statutes regarding Certificates of Authority are not harmonized with the statute authorizing the conversion of a mutual insurer into a not-for-profit insurance company, simultaneously with the creation of a mutual insurance holding company structure

ORDER

Issued by

**STATE OF FLORIDA
OFFICE OF INSURANCE REGULATION**

Dated as of August 16, 2013



FILED

AUG 16 2013

OFFICE OF
INSURANCE REGULATION
Docketed by: 22

OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 133750-13

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
d/b/a FLORIDA BLUE Application for
Reorganization to a Mutual Insurance Holding Company
Structure

**ORDER APPROVING REORGANIZATION
BUT PROHIBITING THE SALE OF STOCK**

THIS CAUSE came on for consideration upon the filing with the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") of an application for a reorganization of BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC. d/b/a FLORIDA BLUE, its successors and assigns (APPLICANT). The Plan of Reorganization (Plan) proposes to create GUIDEWELL MUTUAL HOLDING COMPANY, (GUIDEWELL MUTUAL or NEWCO MIHC), a not-for-profit mutual insurance holding company owned by policyholder-members at the top of the organization. The proposed Plan would then transfer one billion, six hundred million U.S. Dollars (\$1,600,000,000) in assets (estimated by APPLICANT), including substantially all of the stock of subsidiary companies from FLORIDA BLUE, a not-for-profit mutual insurance company to a new affiliated

for profit, non-insurance company affiliated stock company, referred to as NEWCO or GUIDEWELL HEALTH GROUP, INC., (GUIDEWELL HEALTH).

CHARACTER OF THE TRANSACTION

1. The transfer of substantially all of the assets from a not-for-profit corporation requires approval of the majority of members voting under the statute governing not-for-profit corporations, Section 617.1202, Florida Statutes. Chapter 628, Florida Statutes also requires member approval of a plan of reorganization into a mutual insurance holding company system. Although APPLICANT's Plan is contingent upon securing member approval, it has not characterized the proposed transaction as a demutualization, but rather as a reorganization under Chapter 628, Florida Statutes.

2. The Dictionary of Insurance Terms, fifth edition, by Henry W. Rubin (2008), defines "demutualization" as "conversion of form of ownership from a mutual insurance company to a stock insurance company." The dictionary further comments that, "Interest in demutualization of life insurance companies surged in the early 1980's among many large mutual companies because they felt they needed new sources of capital to compete in the financial services revolution."

3. APPLICANT has asserted that because of the new federal Affordable Care Act, it needs to be more flexible and to be able to transition to a "Health Solutions Company." At the hearing on this application, the APPLICANT described the proposed reorganization as supporting a change to a broader mission. The reasons for the reorganization were further recited in a fairness opinion.

4. APPLICANT has represented that the proposed transaction does not effect the beginning of a demutualization. However, as permitted by Sections 628.709(1) and 628.711(1)(c), Florida Statutes, assets will be moved from a not-for-

profit mutual insurance company to an affiliated for-profit stock company. As proposed, the Plan provides: "Florida Blue shall contribute all of its shares in Diversified Service Options, Inc., Navigy Holdings, Inc., and Diversified Health Services, Inc. (the three entities collectively, the "Subsidiaries"), constituting 100 percent of the total number of issued and outstanding shares of each of them, and certain real estate, property and equipment, stocks and bonds of Florida Blue to [GUIDEWELL HEALTH]...." (p. 12 Proxy Statement).

5. APPLICANT testified at the hearing that it had no current plans to sell stock of either FLORIDA BLUE or GUIDEWELL HEALTH. However, the Articles of Incorporation would allow the sale of up to forty-nine percent (49%) of the stock of FLORIDA BLUE or GUIDEWELL HEALTH. APPLICANT has not been specific about any future plans to sell stock other than to say that it may do so in the future but had no current plans.

6. The guiding statute for approval of a reorganization under Part III of Chapter 628, Florida Statutes, requires the OFFICE to disapprove a plan of reorganization unless the OFFICE finds that it is fair and equitable to the members of the mutual insurance company. To evaluate the fairness of the plan, the OFFICE retained Raymond James & Associates, Inc., (Raymond James) to review the Plan and potentially issue an additional fairness opinion. Raymond James issued a fairness opinion that found the transaction to be fair and equitable "from a financial point of view to the [members] at the time of consummation of the plan of reorganization." However, the scope of work performed by Raymond James did not include the type of evaluation that would be required if the Plan effected a demutualization. Raymond James also did not opine as to the fairness of any subsequent transaction that may result if stock is subsequently sold.

7. Raymond James admittedly would have performed additional procedures if the Plan had been one of demutualization. Typically, in a demutualization, the members of the mutual holding company would be compensated for the loss of their interests as owners of the mutual insurance company. In this case, the members' interest as mutual insurance company owners are moved to the new parent GUIDEWELL MUTUAL. The Plan is not a demutualization. However, the interests of the members could be diluted if the stock in GUIDEWELL HEALTH and/or FLORIDA BLUE were sold.

8. In order for the OFFICE to make the finding that the Plan is fair and equitable to the members, the sale of stock of FLORIDA BLUE and/or GUIDEWELL HEALTH is prohibited without the prior written approval of the OFFICE.

9. APPLICANT has represented that it makes annual tax deductible contributions to the not-for-profit charitable affiliate, BLUE CROSS AND BLUE SHIELD OF FLORIDA FOUNDATION, INC., to "improve the health and well being of Floridians and their communities through strategic grant-making." Further, APPLICANT has represented that it intends to continue to make such contributions in the future. However, these contributions do not constitute a payment to mutual members such as would be required in a demutualization.

10. Therefore, the OFFICE hereby approves the Plan, but prohibits the sale of stock of FLORIDA BLUE and/or GUIDEWELL HEALTH without prior approval of the OFFICE. With this restriction, the OFFICE finds that the members' interests are protected, and the Plan as approved is fair and equitable and affords the company some of the flexibility it seeks without unduly affecting the interest of the members of the not-for-profit FLORIDA BLUE.

11. The Plan provides for (1) the reorganization of the APPLICANT from a not-for-profit mutual insurance company to a stock insurance company under a mutual holding company structure pursuant to Part III, Chapter 628, Florida Statutes; and (2) the indirect acquisition of one hundred percent (100%) of the voting securities of HEALTH OPTIONS, INC. (HEALTH OPTIONS), and FLORIDA HEALTH CARE PLAN, INC. (FLORIDA HEALTH) by GUIDEWELL MUTUAL; and (3) the approval of the indirect acquisition of one hundred percent (100%) of the voting securities of COMP OPTIONS INSURANCE COMPANY, INC. (COMP OPTIONS) by GUIDEWELL MUTUAL, pursuant to Section 628.461, Florida Statutes; and (4) the approval of the indirect acquisition of five percent (5%) or more of the voting securities of FLORIDA COMBINED LIFE INSURANCE COMPANY, INC. (FLORIDA COMBINED LIFE) by GUIDEWELL MUTUAL, pursuant to Section 628.461, Florida Statutes; and (5) the approval of the indirect acquisition of five percent (5%) or more of the voting securities of FLORIDA TRUE HEALTH, INC. (FLORIDA TRUE HEALTH) by GUIDEWELL MUTUAL, pursuant to Section 628.4615, Florida Statutes; and (6) the approval of the indirect acquisition of five percent (5%) or more of the membership interests of CAPITAL HEALTH PLAN, INC. (CAPITAL HEALTH PLAN), pursuant to Section 628.4615, Florida Statutes, (collectively, may also be referred to as the "Application").

FINDINGS

12. The OFFICE, having considered said Application, the evidence received at the public hearing, public comments received by mail and e-mail, the opinion of experts retained by FLORIDA BLUE and the OFFICE and being otherwise advised in the premises, finds as follows:

13. The OFFICE has jurisdiction over the subject matter and the parties.

14. APPLICANT is a not-for-profit mutual insurance company formed on July 1, 1980, operating pursuant to Part 1, Chapter 628, Florida Statutes, and authorized to transact accident and health insurance in the State of Florida through a subsisting Certificate of Authority issued by the OFFICE. Policyholders of APPLICANT are considered "members" of APPLICANT and have certain rights in their capacity as members, including the right to vote for directors and on other matters and to participate in the distribution of surplus upon demutualization of APPLICANT.

15. CAPITAL HEALTH PLAN is authorized to operate as a Health Maintenance Organization pursuant to Part I, Chapter 641, Florida Statutes and was formed on June 26, 1978. CAPITAL HEALTH PLAN is controlled fifty-one and eight tenths percent (51.8%) by APPLICANT.

16. COMP OPTIONS is a domestic insurer formed on July 28, 1997 and is authorized to write workers' compensation insurance in the State of Florida through a subsisting Certificate of Authority issued by the OFFICE. COMP OPTIONS is one hundred percent (100%) owned by Diversified Health Services, Inc. which is one hundred percent (100%) owned by APPLICANT.

17. HEALTH OPTIONS is authorized to operate as a Health Maintenance Organization pursuant to Part I, Chapter 641, Florida Statutes and was formed on February 29, 1984. HEALTH OPTIONS is one hundred percent (100%) owned by Diversified Health Services, Inc. which is one hundred percent (100%) owned by APPLICANT.

18. FLORIDA HEALTH is authorized to operate as a Health Maintenance Organization pursuant to Part I, Chapter 641, Florida Statutes and was formed on August 7, 2008. FLORIDA HEALTH also maintains a license to operate as a Third Party Administrator pursuant to Part VII, Chapter 626, Florida Statutes. FLORIDA HEALTH is owned one hundred percent (100%) by Diversified Health Services, Inc. which is one hundred percent (100%) owned by APPLICANT.

19. FLORIDA COMBINED LIFE is a domestic insurer formed on May 11, 1988 and is authorized to write life, group life & annuities, accident & health, and prepaid dental insurance in the State of Florida through a subsisting Certificate of Authority issued by the OFFICE. FLORIDA COMBINED LIFE is owned one hundred percent (100%) by LSV Partners, LLC which is owned fifty percent (50%) by Diversified Health Services, Inc. and fifty percent (50%) by Arkansas Blue Cross and Blue Shield.

20. FLORIDA TRUE HEALTH is authorized to operate as a Health Maintenance Organization pursuant to Part I, Chapter 641, Florida Statutes and was formed on December 19, 2011. FLORIDA TRUE HEALTH is owned fifty percent (50%) by Diversified Health Services, Inc. and fifty percent (50%) by AmeriHealth Caritas Health Plan.

21. On June 11, 2013, APPLICANT submitted an application for reorganization of APPLICANT, which, among other things, includes a Plan of Reorganization as revised and submitted to the OFFICE on August 15, 2013, a Proxy Statement (hereinafter referred to as

“Proxy”) to be sent to APPLICANT’s members, as revised and submitted to the OFFICE on August 15, 2013, a fairness opinion issued by J.P. Morgan Securities LLC as to the fairness to APPLICANT’s members of the exchange of membership interests in APPLICANT for membership interests in GUIDEWELL MUTUAL and proposed Articles of Incorporation and Bylaws and/or proposed Amended and Restated Articles of Incorporation and Bylaws, of the entities in the transaction. The Plan includes the following proposed steps and transactions in order to reorganize APPLICANT (Reorganization) which, once approved by the OFFICE, is also subject to the affirmative vote of at least the majority of votes cast by Eligible Members (as defined in the Plan) in a meeting of the Members as described in detail in the Plan and Proxy, to be held at a later date:

- a. GUIDEWELL MUTUAL’s Articles of Incorporation and Bylaws, attached as an exhibit to the Plan and as amended August 15, 2013, shall become effective;
- b. APPLICANT’s Articles of Incorporation and Bylaws shall be amended and restated for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, attached as an exhibit to the Plan and as amended August 15, 2013;
- c. APPLICANT shall issue shares of its common stock to GUIDEWELL MUTUAL in an amount constituting one hundred percent (100%) of the total number of issued and outstanding shares of common stock of APPLICANT;
- d. The membership interests of the members of APPLICANT shall become membership interests in GUIDEWELL MUTUAL in accordance with the Articles of Incorporation and Bylaws of NEWCO MIHC and the members’ membership interests in APPLICANT shall be extinguished;

- e. GUIDEWELL MUTUAL shall be admitted as a new member of the Blue Cross and Blue Shield of Florida Foundation, Inc.;
- f. GUIDEWELL HEALTH's Articles of Incorporation and Bylaws, attached as an exhibit to the Plan and as amended August 15, 2013, shall become effective;
- g. APPLICANT shall contribute one hundred percent (100%) of the total number of issued and outstanding shares of the Subsidiaries (as defined in the Plan) and the Non-Subsidiary Assets (as defined in the Plan) to NEWCO and NEWCO shall assume the liabilities and obligations associated therewith; and
- h. APPLICANT shall distribute one hundred percent (100%) of its shares of common stock of GUIDEWELL HEALTH to GUIDEWELL MUTUAL.

22. The Application represents that consummation of the Reorganization is subject to the satisfaction of certain conditions, including approval of the Plan and the transactions contemplated therein by the requisite vote of the Eligible Members, receipt by APPLICANT of a private letter ruling indication from the Internal Revenue Service or one or more opinions from its independent tax advisor regarding certain tax matters, and receipt of a "no-action" letter from the Securities and Exchange Commission or an opinion of legal counsel regarding certain federal securities laws matters. Further, the Plan represents that the Reorganization shall become effective on the Effective Date (as defined in the Plan) and that the coverage terms and provisions of the policies held by members will not be changed as a result of the Reorganization. If for any reason the Reorganization is not consummated, APPLICANT shall remain a not-for-profit mutual insurance company pursuant to the Plan, and APPLICANT will not be bound by the terms of this Order.

23. APPLICANT procured a fairness opinion from J.P. Morgan Securities, but that opinion related to the exchange of membership interests of mutual members, and did not make a specific

finding that the transaction was fair and equitable to members of FLORIDA BLUE which is the statutory standard found in Chapter 628, Florida Statutes. At the hearing, J.P. Morgan testified that the standard used in their opinion was different from the statutory standard of Part III of Chapter 628, Florida Statutes.

24. As part of the Application process, the OFFICE convened a public hearing in Miami, Florida on July 25, 2013 for the purpose of receiving public comments and objections to the proposed Plan. Members of APPLICANT were notified of the time, place, and purpose of the public hearing either by email, other electronic means/media, advertisements in local newspapers, and, together with the general public, were further informed of the hearing by notice published in the Florida Administrative Register. The record was held open for ten (10) days after the conclusion of the hearing. In addition, the OFFICE created an email address for the purpose of receiving additional public comments on the Plan and has considered said comments in the issuance of this Order.

25. APPLICANT has made material representations that none of the current and/or proposed officers and/or directors of APPLICANT, GUIDEWELL MUTUAL, GUIDEWELL HEALTH, CAPITAL HEALTH PLAN, COMP OPTIONS, HEALTH OPTIONS, FLORIDA HEALTH, FLORIDA COMBINED LIFE, and FLORIDA TRUE HEALTH have been found guilty of, or have pleaded guilty or nolo contendere to, a felony or a misdemeanor other than a minor traffic violation, without regard to whether a judgment of conviction was entered by the court.

26. APPLICANT further represents that it has submitted complete background information for each of the individuals referenced above and that if such material information

has not been provided to the OFFICE, any such individual(s) shall be removed as an officer and/or director within thirty (30) days of receipt of notification from the OFFICE.

27. If, upon receipt of notification from the OFFICE pursuant to the paragraph above, APPLICANT, GUIDEWELL MUTUAL, GUIDEWELL HEALTH, CAPITAL HEALTH PLAN, COMP OPTIONS, HEALTH OPTIONS, FLORIDA HEALTH, FLORIDA COMBINED LIFE, or FLORIDA TRUE HEALTH does not timely take the required corrective action, such failure to act would constitute an immediate danger to the public and the OFFICE immediately may suspend, revoke, or take other administrative action as it deems appropriate.

28. APPLICANT shall send a printed copy of the member letter and the full proxy along with the proxy card to each eligible member in advance of the annual meeting. APPLICANT shall submit to the OFFICE prior to the Effective Date, documentation of the outcome of the vote at the member meeting, certified by APPLICANT's Corporate Secretary.

29. APPLICANT has filed, and the OFFICE has relied upon the representations in the Plan, Plan of Operation, Proxy and supporting documents that APPLICANT has submitted with its Application. Prior written approval must be secured from the OFFICE prior to any material deviation from said Plan and/or Plan of Operation. APPLICANT has represented that the business plan of CAPITAL HEALTH PLAN, COMP OPTIONS, HEALTH OPTIONS, FLORIDA HEALTH, FLORIDA COMBINED LIFE, and FLORIDA TRUE HEALTH will not change as a result of this transaction. Said representation is material to the issuance of this Order.

30. APPLICANT has made representations that it will not change any existing executive compensation plans or adopt any new compensation plans as a result of this Reorganization. Said representations are material to the issuance of this Order.

31. APPLICANT has represented that there are no plans to sell stock in APPLICANT and/or GUIDEWELL HEALTH. As a result of this Reorganization, GUIDEWELL MUTUAL will own one hundred percent (100%) of the outstanding shares of APPLICANT and one hundred percent (100%) of the outstanding shares of GUIDEWELL HEALTH. The members of APPLICANT shall be the only members of GUIDEWELL MUTUAL. If APPLICANT and/or GUIDEWELL HEALTH elect to issue stock in the future, such an offering shall be subject to prior written approval by the OFFICE. Said representations are material to the issuance of this Order.

32. Except with respect to loan agreements existing on the date of this Order, GUIDEWELL HEALTH shall not pledge the stock of COMP OPTIONS, HEALTH OPTIONS, FLORIDA HEALTH, FLORIDA COMBINED LIFE, FLORIDA TRUE HEALTH nor its membership interest in CAPITAL HEALTH PLAN, without prior written consent of the OFFICE.

33. Any managerial, administrative or employee sharing arrangements involving APPLICANT, CAPITAL HEALTH PLAN, COMP OPTIONS, HEALTH OPTIONS, FLORIDA HEALTH, FLORIDA COMBINED LIFE, and FLORIDA TRUE HEALTH (DOMESTIC INSURERS) shall be in accordance with a formal written agreement, and must contain, at a minimum, the following:

- a. A requirement of monthly cash settlement of any expenses incurred for the month; and
- b. A clear delineation of the financial boundaries of each operation.

34. Further, the DOMESTIC INSURERS shall not bear any disproportional occupancy expenses for space which is occupied by any other affiliate and, upon examination, shall be prepared to demonstrate how the occupancy cost and space is allocated among them.

35. DOMESTIC INSURERS shall file updates to the Holding Company Registration Statement as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

36. GUIDEWELL MUTUAL shall file annual audited consolidated financial statement with the OFFICE, which shall include a separate schedule for GUIDEWELL HEALTH. If GUIDEWELL HEALTH obtains its own audited financial statements, it shall file it with the OFFICE.

37. APPLICANT shall, prior to the Effective Date, submit to the OFFICE a copy of a private letter ruling indication from the Internal Revenue Service or one or more opinions from its independent tax advisor regarding certain tax matters and a "no-action" letter from the Securities and Exchange Commission or an opinion of legal counsel regarding certain federal securities law matters.

38. APPLICANT shall, no later than ten (10) days after the Effective Date, submit to the OFFICE copies of executed Articles of Incorporation and Bylaws and any and all other documentation evidencing that the transactions have occurred, including a copy of the minutes of the meeting of the Board of Directors at which the final Plan was adopted.

39. APPLICANT has represented that all explanations, representations, and documents provided to the OFFICE in connection with APPLICANT's Application, including all attachments and supplements thereto, are true, and all representations and requirements set forth herein are material to the issuance of this Order, and fully describe all transactions, agreements, and understandings regarding the Reorganization of APPLICANT, the acquisition

of one hundred percent (100%) of the voting securities of COMP OPTIONS, HEALTH OPTIONS, and FLORIDA HEALTH by GUIDEWELL MUTUAL and the acquisition of fifty percent (50%) of the voting securities of FLORIDA COMBINED LIFE and FLORIDA TRUE HEALTH by GUIDEWELL MUTUAL and fifty-one point eight percent (51.8%) of the membership interest of CAPITAL HEALTH PLAN.

40. DOMESTIC INSURERS shall report to the OFFICE, Property and Casualty Financial Oversight, and/or Life and Health Financial Oversight any time that they are named as a party defendant in a class action lawsuit, within fifteen (15) days after the class is certified, and DOMESTIC INSURERS shall include a copy of the complaint at the time they report the class action lawsuit to the OFFICE.

41. Any prior Orders with respect to DOMESTIC INSURERS, except where provisions of such Orders have expired, have been superseded by subsequent Orders, or are inconsistent with this Order shall remain in full force and effect.

42. A list of identified terrorists and terrorist support organizations is periodically updated at the Treasury Department's Office of Foreign Assets Control website, www.treas.gov/ofac. DOMESTIC INSURERS shall maintain and adhere to procedures necessary to detect and prevent prohibited transactions with individuals and entities which have been identified at the Treasury Department's Office of Foreign Assets Control website.

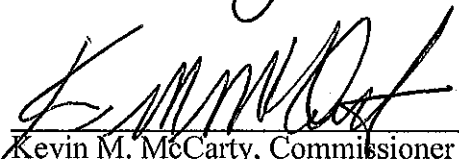
43. The deadlines set forth in this Order may be extended by written approval of the OFFICE.

WHEREFORE, subject to the conditions set forth above, including the restriction of the sale of stock of FLORIDA BLUE and/or GUIDEWELL HEALTH without prior written approval, the OFFICE hereby APPROVES the Reorganization of BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC. d/b/a FLORIDA BLUE to a Mutual Insurance Holding Company Structure, and the indirect acquisition of CAPITAL HEALTH PLAN, INC., COMP OPTIONS INSURANCE COMPANY, INC., HEALTH OPTIONS, INC., FLORIDA HEALTH CARE PLAN, INC., FLORIDA COMBINED LIFE INSURANCE COMPANY, INC., and FLORIDA TRUE HEALTH, INC. by GUIDEWELL MUTUAL.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 16th day of August, 2013.




Kevin M. McCarty, Commissioner
Office of Insurance Regulation

NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes and Rule Chapter 28-106, Florida Administrative Code (F.A.C.), you may have a right to request a proceeding to contest this action by the Office of Insurance Regulation (hereinafter the "Office"). You may request a proceeding by filing a Petition. Your Petition for a proceeding must be in writing and must be filed with the General Counsel acting as the Agency Clerk, Office of Insurance Regulation. If served by U.S. Mail the Petition should be addressed to the Florida Office of Insurance Regulation at 612 Larson Building, Tallahassee, Florida 32399-4206. If Express Mail or hand-delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300. The written Petition must be received by, and filed in the Office no later than 5:00 p.m. on the twenty-first (21) day after your receipt of this notice. Unless your Petition challenging this action is received by the Office within twenty-one (21) days from the date of the receipt of this notice, the right to a proceeding shall be deemed waived. Mailing the response on the twenty-first day will not preserve your right to a hearing.

If a proceeding is requested and there is no dispute of material fact the provisions of Section 120.57(2), Florida Statutes may apply. In this regard you may submit oral or written evidence in opposition to the action taken by this agency or a written statement challenging the grounds upon which the agency has relied. While a hearing is normally not required in the absence of a dispute of fact, if you feel that a hearing is necessary one may be conducted in Tallahassee, Florida or by telephonic conference call upon your request.

If you dispute material facts which are the basis for this agency's action you may request a formal adversarial proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. If you request this type of proceeding, the request must comply with all of the requirements of Rule Chapter 28-106.201, F.A.C., must demonstrate that your substantial interests have been affected by this agency's action, and contain:

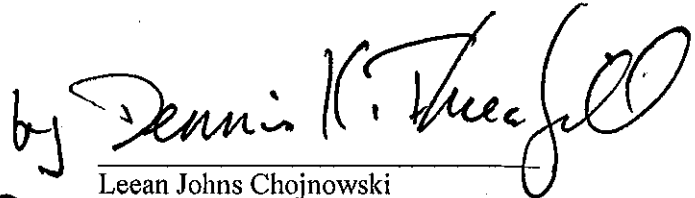

- a) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;
- b) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action;
- c) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and
- d) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the agency to take with respect to the agency's proposed action.

These proceedings are held before a State Administrative Law Judge of the Division of Administrative Hearings. Unless the majority of witnesses are located elsewhere, the Office will request that the hearing be conducted in Tallahassee.

You are hereby notified that mediation under Section 120.573, Florida Statutes, is not available. Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. Any request for administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of this Order was sent by Certified Mail to, BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC. d/b/a FLORIDA BLUE 4800 Deerwood Campus Parkway, Jacksonville, Florida 32246 this 16th day of August, 2013.

by 
 Leean Johns Chojnowski
Assistant General Counsel
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399-4206
(850) 413-1408

COPIES FURNISHED TO:

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Sondra M. Tucker
Blue Cross Blue and Shield of Florida, Inc.
D/B/A Florida Blue
4800 Deerwood Campus Parkway, DC9-1
Jacksonville, Florida 32246

FAIRNESS OPINION

OF

J.P. MORGAN

Dated May 28, 2013

May 28, 2013

The Board of Directors
Blue Cross and Blue Shield of Florida, Inc.
4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the policyholders who are Members, taken as a group, of Blue Cross and Blue Shield of Florida, Inc. (the “Company”) of the exchange of Membership Interests in the Company for Membership Interests in a newly organized mutual insurance holding company (the “Mutual Insurance Holding Company”) under the proposed Plan of Reorganization (the “Plan”) to be filed with the Office of Insurance Regulation of the State of Florida. Capitalized terms not otherwise defined herein are as defined in the Plan.

We understand that the Plan provides for the Company’s reorganization (the “Reorganization”) under Part III of Chapter 628 of the Florida Statutes, pursuant to which, among other things: (1) the Company will convert from a not-for-profit mutual insurance company to a stock insurance company; (2) the Company will issue all of its outstanding capital stock to the Mutual Insurance Holding Company; (3) the Membership Interests of the Members in the Company will be extinguished; (4) the Members will automatically become members of the Mutual Insurance Holding Company; (5) the Company will contribute the Subsidiaries and the Non-Subsidiary Assets to a newly organized Florida corporation that initially will be a wholly owned subsidiary of the Company (“NewCo Holding Company”), and NewCo Holding Company will assume the liabilities and obligations associated therewith; and (6) the Company will distribute all of the shares of capital stock of NewCo Holding Company to the Mutual Insurance Holding Company.

As contemplated by Section 628.709(2) of the Florida Statutes, the Plan provides that Members will not receive consideration for extinguishment of their Membership Interests in the Company, other than the new Membership Interests in the Mutual Insurance Holding Company. Furthermore, the Plan does not provide for an initial public offering of the stock of NewCo Holding Company or other affiliates of the

Company; nor does it provide for any subscription rights or discounted purchase price for Members in the case of any such offering.

The consummation of the Reorganization and the related transactions contemplated by the Plan are subject to, among other things: (i) approval by a majority of votes cast by Eligible Members, either in person or by proxy, notwithstanding quorum or voting action requirements otherwise applicable to the Company to the contrary; (ii) the approval of the Commissioner, based upon a finding that the Plan is fair and equitable to the Members; (iii) receipt by the Company of a private letter ruling indication from the Internal Revenue Service or an opinion of an independent tax advisor as to certain tax matters as described in Section 7.03 of the Plan; and (iv) receipt of a “no-action” letter from the Securities and Exchange Commission or an opinion of independent legal counsel with respect to federal securities law matters. We express no view as to the sufficiency of this opinion for purposes of obtaining such approvals or any other regulatory or statutory purposes.

In connection with preparing our opinion, we have: (i) reviewed a draft dated May 28, 2013 of the Plan; (ii) reviewed certain publicly available business and financial information concerning the Company and the industries in which it operates; (iii) reviewed certain publicly available financial, operating and trading information for companies we deemed relevant; (iv) reviewed publicly available information regarding certain transactions of companies we deemed relevant; (v) compared the capital structure of the Company with publicly available information concerning the capital structures of other companies we deemed relevant; (vi) reviewed certain internal financial analyses and forecasts prepared by or at the direction of the management of the Company relating to its business before and after the Reorganization; and (vii) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Company with respect to certain aspects of the Plan, the historical and current business operations of the Company, the financial condition of the Company, the future prospects and operations of the Company and the Mutual Insurance Holding Company, and certain other matters we believed necessary or appropriate to our inquiry.

Management reviewed with us certain of the possible consequences and benefits of the Reorganization on the business, operations and financial condition of the Company. In arriving at this opinion, we have taken into account a number of factors, including, but not limited to, the following views expressed by the Company’s management (in no particular order): (i) the Reorganization is expected to permit the Company to realize the benefit of preserving the Members’ Membership Interests at the Mutual Insurance Holding Company level, including

the right to elect directors of the Mutual Insurance Holding Company and vote on amendments to the articles of incorporation of the Mutual Insurance Holding Company; (ii) the Reorganization is expected to permit subsidiaries within the mutual insurance holding company system to declare and pay dividends for capital deployment within the mutual insurance holding company system; (iii) the Reorganization is expected to permit the mutual insurance holding company system to make investments that may otherwise be limited under the present corporate structure; (iv) the Reorganization is expected to enhance the Company's structural flexibility and support for its current and future business opportunities, including potential mergers and acquisitions; and (v) the Reorganization is expected to enable access to equity and debt markets, if required by future business developments.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by the Company or otherwise reviewed by or for us, and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Company under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to us or derived therefrom, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company to which such analyses or forecasts relate. We express no view as to such analyses or forecasts or the assumptions on which they were based. We have also assumed that the Reorganization will qualify as a tax free reorganization for United States federal income tax purposes, and will be consummated as described in the Plan, and that the Plan will not differ in any material respects from the draft thereof furnished to us. We have further assumed that the Company's conversion to a stock insurance company will be approved by the Commissioner and effectuated in accordance with the Plan. We are not legal, regulatory or tax experts and have relied on the assessments made by advisors to the Company with respect to such issues. We also have assumed at your direction that the Reorganization will not have the effect of increasing premiums or reducing policy benefits or other policy obligations of the Company.

We are not actuaries and our services did not include any actuarial determinations or evaluations by us or an attempt to evaluate actuarial assumptions. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Reorganization will be obtained without any adverse effect on the Company or on the contemplated benefits of the Reorganization.

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You have not asked our opinion and we do not express any opinion as to (i) which of the Company's policyholders are considered Members, or (ii) the fairness of the Plan to any individual Member or class of Members. In addition, our opinion does not address any actions which the Company may take following completion of the Reorganization, including the terms of any initial public offering of shares of NewCo Holding Company or its affiliates.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, of the exchange of Membership Interests in the Company for Membership Interests in the Mutual Insurance Holding Company pursuant to the Plan. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Reorganization, or any class of such persons relative to the exchange of Membership Interests referenced above, or with respect to the fairness of any such compensation.

We were not requested to and did not provide advice concerning the structure of the Reorganization, any other aspects of the Reorganization, or to provide services other than the delivery of this opinion. We also note that we did not participate in any discussion with the Company or with the Commissioner with respect to the terms of the Plan or the Reorganization.

We will receive a fee from the Company, a substantial portion of which will be paid upon preparation and delivery of this opinion. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other material financial advisory or other material commercial or investment banking relationships with the Company other than that we anticipate we may be retained to provide certain investment banking services to the Company on matters unrelated to the Plan or the Reorganization.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the exchange of Membership Interests in the Company for the Membership Interests in the Mutual Insurance Holding Company pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of the Company, taken as a group.

The issuance of this opinion has been approved by a fairness opinion committee of J.P. Morgan Securities LLC. This letter is provided to the Board of Directors of the Company (in its capacity as such) in connection with and for the purposes of its evaluation of the Plan and the Reorganization. This opinion does not constitute a recommendation to any Eligible Member as to how such Eligible Member should vote with respect to the Plan. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written consent in each instance, except that a copy of it may be (i) provided to the Commissioner if required and (ii) reproduced in full in any policyholder information statement mailed to Eligible Members, but may not otherwise be disclosed publicly in any manner without our prior written approval and must be treated as confidential except as otherwise required by applicable law.

Very truly yours,



J.P. MORGAN SECURITIES LLC

Blue Cross and Blue Shield of Florida, Inc.
Consolidated Financial Statements
Years ended December 31, 2012 and 2011
with Report of Independent Auditors

**Blue Cross and Blue Shield
of Florida, Inc. d/b/a Florida
Blue and Subsidiaries**

**Consolidated Financial Statements
December 31, 2012 and 2011**

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Index
December 31, 2012 and 2011

	Page(s)
Report of Independent Certified Public Accountants	1–2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Comprehensive Income.....	4
Consolidated Statements of Policyholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–44



Report of Independent Certified Public Accountants

To the Board of Directors of
Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue:

We have audited the accompanying consolidated financial statements of Blue Cross Blue Shield of Florida, Inc. d/b/a Florida Blue and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and December 31, 2011, and the related consolidated statements of comprehensive income, of policyholders' equity, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Certified Public Accountant's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blue Cross Blue Shield of Florida, Inc. d/b/a Florida Blue and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Company changed its method of accounting for deferred acquisition costs upon the retrospective adoption of Accounting Standards Update 2010-26, an amendment to Accounting Standards Codification (ASC) Topic 944, *Financial Services - Insurance* in 2011.

As discussed in Note 1 to the consolidated financial statements, in 2012 the Company changed its method of accounting for pension benefits, as permitted by ASC 715, *Compensation – Retirement Benefits*. All periods have been retroactively revised for this accounting change.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

March 12, 2013

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Consolidated Balance Sheets
December 31, 2012 and 2011

(in millions of dollars)

	2012	2011
Assets		
Cash and investments		
Fixed maturities, available for sale	\$ 3,238	\$ 3,140
Equity securities, available for sale	872	777
Securities lending collateral portfolio	25	88
Cash and cash equivalents	290	265
Total cash and investments	<u>4,425</u>	<u>4,270</u>
Receivables		
Premiums and other, net	599	583
Reimbursable contracts	149	117
Federal Employees Health Benefits Program	563	605
Total receivables	<u>1,311</u>	<u>1,305</u>
Property, equipment and computer software, net	350	343
Goodwill and other intangible assets	185	125
Prepaid and other assets	271	359
Investments in joint ventures and affiliates	249	223
Deferred income taxes	239	273
Deferred acquisition costs	180	173
Total assets	<u>\$ 7,210</u>	<u>\$ 7,071</u>
Liabilities		
Liabilities for policyholders' benefits		
Claims outstanding	\$ 544	\$ 495
Reimbursable contracts	149	117
Policy reserves	906	872
Total liabilities for policyholders' benefits	<u>1,599</u>	<u>1,484</u>
Unearned premiums		
Premiums	187	249
Federal Employees Health Benefits Program	563	605
Accrued payroll and related benefits	459	474
Bank overdrafts	110	160
Accounts payable and accrued expenses	364	445
Securities lending obligation	25	88
Line of credit	150	90
Total liabilities	<u>3,457</u>	<u>3,595</u>
Commitments and contingencies		
Policyholders' equity		
Capital and retained earnings	3,590	3,373
Accumulated other comprehensive income	163	103
Total policyholders' equity	<u>3,753</u>	<u>3,476</u>
Total liabilities and policyholders' equity	<u>\$ 7,210</u>	<u>\$ 7,071</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2012 and 2011

(in millions of dollars)

	2012	2011
Premiums earned	\$ 8,213	\$ 7,536
Management services revenue	672	525
Net premiums and fees earned	8,885	8,061
Investment and other income	198	211
Total revenue	9,083	8,272
Claims and medical expenses	6,959	6,237
General and administrative expenses	1,813	1,724
Interest expense	1	11
Total expenses	8,773	7,972
Income before income taxes	310	300
Provision for income taxes		
Current	96	77
Deferred	(3)	4
Total provision for income taxes	93	81
Net income	217	219
Other comprehensive income (loss)		
Net change in unrealized investment gains and losses (net of deferred income taxes of \$34 and \$5)	49	9
Change in postretirement liability (net of deferred income taxes of \$5 and \$11)	11	(20)
Other comprehensive income (loss)	60	(11)
Comprehensive income	\$ 277	\$ 208

The accompanying notes are an integral part of these consolidated financial statements.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Consolidated Statements of Policyholders' Equity
Years Ended December 31, 2012 and 2011

<i>(in millions of dollars)</i>	Accumulated Other Comprehensive Income (Loss)	Capital and Retained Earnings	Total Policyholders' Equity
Balances at December 31, 2010, as previously reported	\$ 6	\$ 3,262	\$ 3,268
Change in methodology for reporting actuarial gains and losses for defined benefit pension plans	108	(108)	-
Balances at December 31, 2010, as recast	114	3,154	3,268
Comprehensive income			
Net income	-	219	219
Net change in unrealized investment gains and losses (net of deferred income taxes of \$5)	9	-	9
Change in postretirement liability (net of deferred income taxes of \$11)	(20)	-	(20)
Comprehensive (loss) income	(11)	219	208
Balances at December 31, 2011, as recast	103	3,373	3,476
Comprehensive income			
Net income	-	217	217
Net change in unrealized investment gains and losses (net of deferred income taxes of \$34)	49	-	49
Change in postretirement liability (net of deferred income taxes of \$5)	11	-	11
Comprehensive income	60	217	277
Balances at December 31, 2012	<u>\$ 163</u>	<u>\$ 3,590</u>	<u>\$ 3,753</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

(in millions of dollars)

	2012	2011
Cash flows from operating activities		
Net income	\$ 217	\$ 219
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	88	101
Net gain on investments	(30)	(29)
Net gain on sale of affiliate	-	(1)
Contribution of equity securities to charitable organizations	1	-
Deferred income taxes	(3)	4
Change in allowance for doubtful accounts	(3)	(18)
Income in equity from joint ventures and affiliates, net	(3)	(3)
Impairment of assets	8	-
Change in certain assets and liabilities		
Premiums and other receivables	10	(47)
Prepaid and other assets	90	(18)
Deferred acquisition costs	(38)	(56)
Claims outstanding	49	(41)
Policy reserves	34	43
Unearned premiums	(62)	62
Accrued payroll and related benefits	(4)	62
Accounts payable and accrued expenses	(118)	(28)
Net cash provided by operating activities	<u>236</u>	<u>250</u>
Cash flows from investing activities		
Proceeds from sales of fixed maturities	1,431	1,741
Proceeds from maturities of fixed maturities	3	2
Proceeds from sales of equity securities	176	95
Proceeds from the sale of affiliate	-	1
Cost of fixed maturities purchased	(1,500)	(1,746)
Cost of equity securities purchased	(196)	(308)
Investments in affiliates	(29)	(71)
Acquisition of businesses, net of cash and cash equivalents of \$4 and \$0	(54)	-
Purchases of property, equipment and computer software	(53)	(39)
Change in securities lending collateral portfolio	63	57
Net cash used in investing activities	<u>(159)</u>	<u>(268)</u>
Cash flows from financing activities		
Change in bank overdrafts	(49)	48
Proceeds from line of credit	740	90
Repayments of line of credit	(680)	-
Change in securities lending obligation	(63)	(57)
Repayment of surplus note	-	(150)
Net cash used in financing activities	<u>(52)</u>	<u>(69)</u>
Net change in cash and cash equivalents	25	(87)
Cash and cash equivalents		
Beginning of year	265	352
End of year	<u>\$ 290</u>	<u>\$ 265</u>
Supplemental disclosures		
Interest paid	\$ 1	\$ 12
Taxes paid	101	102
Significant noncash transactions		
Contribution of equity securities to charitable organizations	\$ 1	\$ -
Deferred gain on investment in affiliate	-	19

The accompanying notes are an integral part of these consolidated financial statements.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

1. Summary of Organization and Significant Accounting Policies

Organization

Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue (the "Plan"), a not-for-profit mutual insurance company, offers a wide range of health insurance products including traditional and preferred provider health insurance products and health maintenance organization ("HMO") products (through its wholly owned subsidiaries, Health Options, Inc. ("HOI") and Florida Health Care Plan, Inc. ("FHCP"), and its controlled affiliate, Capital Health Plan, Inc. ("CHP")). The Plan's wholly owned subsidiaries also include the following: Comp Options Insurance Company, Inc. d/b/a OptaComp ("OptaComp"); First Coast Service Options, Inc. ("FCSO"); Novitas Solutions, Inc. ("Novitas"); Navigy, Inc.; Incepture, Inc.; GuideWell, Inc.; and Diagnostic Clinic Medical Group ("DCMG"). The Blue Cross and Blue Shield of Florida Foundation, Inc. is also a controlled affiliate of the Plan. The Plan's wholly owned subsidiaries also include the following holding companies: Diversified Health Services, Inc. ("DHS"), the holding company for certain health businesses; Diversified Service Options, Inc. ("DSO"), the holding company for certain government operations; and Navigy Holdings, Inc., the holding company for various diversified businesses. The consolidated financial statements include the accounts of the aforementioned entities (collectively, the "Company"). The Plan also has equity investments in numerous joint ventures including the following: Availity, LLC ("Availity"); Prime Therapeutics, LLC ("Prime"); Life and Specialty Ventures Partners, LLC ("LSVP"); TriCenturion, Inc.; BP Informatics, LLC; Blue International Plan Solutions, LLC; NDES Holdings, LLC ("NDES"); NDBH Holding Company, LLC ("New Directions"); Florida True Health, Inc. ("FTH") and Blue Cross Blue Shield Ventures II, Inc. In August 2011, C2C Solutions, Inc. was sold for \$1 million generating a \$1 million gain on the sale. In September 2011, Novitas Health, LLC was dissolved.

In January 2012, DSO acquired Highmark Medicare Services ("HMS"). HMS administers Medicare contracts in various states. HMS changed its name to Novitas subsequent to the closing of the acquisition. In December 2012, DHS acquired DCMG, a multi-specialty physician practice based in Largo, Florida. See Note 13 for additional information on these acquisitions.

In December 2011, DHS and Amerihealth Mercy Health Plan ("AMHP"), an unrelated partnership, formed FTH. FTH was formed to establish a new HMO licensed in Florida to provide managed care services to Medicaid members in Florida. DHS owns 50% of FTH and the Company records the operations of FTH using the equity method of accounting. During 2012, DHS and AMHP have each contributed \$28 million to FTH. DHS and AMHP have committed to fund FTH adequately to comply with the requirements of the State of Florida Office of Insurance Regulation ("OIR"), the Blue Cross and Blue Shield Association ("Association") and any Medicaid managed care contracts with the Agency for Health Care Administration.

The Plan is an independent licensee of the Association. The Association owns the Blue Cross and Blue Shield service marks and establishes national policies and sets certain operating and financial guidelines for the independent Blue Cross and Blue Shield Plans. The Association is not an affiliate or guarantor of the Plan.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

Basis of Presentation, Principles of Consolidation, and Investments in Joint Ventures and Affiliates

The consolidated financial statements include the accounts of the Company. All significant intercompany transactions have been eliminated. Investments in joint ventures and affiliates in which less than a majority interest is held and where the Company has the ability to exercise significant influence over the operating and financial policies of the investee are accounted for using the equity method of accounting.

In 2012, the Company made a change to its accounting methodology for recognizing actuarial gains and losses for qualified and non-qualified pension benefit plans and recast the 2011 financial statements to reflect the change. See Note 6 for additional information regarding the recast amounts.

Certain amounts in the 2011 consolidated financial statements have been reclassified to correspond to the 2012 presentation.

The Company evaluated events and transactions that occurred after December 31, 2012, but prior to the issuance of these consolidated financial statements on March 12, 2013, and in the opinion of management, the accompanying consolidated financial statements reflect all material items.

Use of Estimates

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In preparing the consolidated financial statements, the Company is required to make estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Investments

Fixed maturities and equity securities are classified as available for sale and carried at fair value. Changes in fair value are generally recorded, net of tax, as a component of other comprehensive income. However, GAAP requires that the book value of investments be written down to fair value, with losses charged to earnings if the decline is determined to be other-than-temporary. The Company evaluates investment securities on a quarterly basis, using both quantitative and qualitative factors, to determine when a decline in value is other-than-temporary. Such factors considered include the length of time and the extent to which a security's fair value has been less than its cost, financial condition and near term prospects of the issuer, and forecasted economic, market or industry trends. For fixed income securities, impairment is considered to be other-than-temporary if the Company has the intent to sell the security prior to recovery, if it is more likely than not the Company will be required to sell the security prior to recovery, or if the Company does not believe the value of the security will recover. Equity securities are deemed to be other-than-temporarily impaired based on the severity of the unrealized loss and the length of time the security has been in an unrealized loss position. For fixed income securities, the other-than-temporarily impaired amount is separated into the amount related to a credit loss, which is reflected as a charge to realized investment gains (losses) included in investment and other income, and the amount related to all other factors, which is recognized in other comprehensive income. The credit loss component is calculated using the Company's best estimate of the present value of cash flows expected to be collected from the fixed income security. Subsequent to recognition of a credit related impairment loss, the difference between the new cost basis and the cash flows expected to be collected is accreted as interest income. With respect to securities where the decline in value is

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

determined to be temporary and the security's value is not written down, a subsequent decision may be made to sell that security and realize a loss. If a security's decline in fair value is not expected to be fully recovered prior to the expected time of sale, the Company would record an other-than-temporary impairment in the period in which the decision to sell is made.

As defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement* ("ASC 820"), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). Market data and assumptions that are believed to be used by market participants in pricing the asset or liability including assumptions about risk and the risks inherent in the inputs to the valuations technique are utilized. These inputs may be readily observable, market corroborated or generally unobservable.

Inputs used to measure fair value are prioritized by the fair value hierarchy established by ASC 820. Highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- | | |
|---------|---|
| Level 1 | Pricing inputs are based on quoted prices available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Unadjusted quoted prices from national exchanges are the primary pricing source. Common stock, including mutual funds and exchange traded funds ("ETFs") invested in common stocks, and United States of America ("U.S.") treasury and agency notes are generally included in this category. |
| Level 2 | Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Corporate debt securities, tax-exempt securities, mortgage backed securities issued by agencies sponsored by the U.S. Government and preferred stocks are generally included in this category. |
| Level 3 | Pricing inputs include significant inputs that are generally less observable from objective sources and may include internally developed methodologies that result in management's best estimate of fair value from the perspective of a market participant. All investments subject to ASC 820 are analyzed as of the statement date and assets or liabilities whose fair value is based on significant unobservable inputs are classified as Level 3. Fixed-income securities priced solely using broker quotes or other proprietary pricing methodologies, such as private placement corporate debt and bank loans, are generally included in this category. |

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

Valuation techniques and inputs for Level 2 and Level 3:

Level 2 The primary source for estimating the fair value of investments that have an exchange traded price or multiple observable inputs in less than active markets is a single pricing service, Interactive Data Corporation ("IDC"). Based on the Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services, the Company has not historically adjusted the prices obtained from the pricing service. In situations where IDC does not have multiple observable inputs or the ability to price a given security, a price is obtained from another pricing service or by obtaining nonbinding broker or dealer quotes.

Standard inputs for Level 2 prices include, when available, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

Level 3 Valuations of securities with less than observable inputs are calculated and provided by external investment management companies. The Company's investments valued using level 3 inputs consist primarily of private placement debt instruments and bank loan securities. The private placement debt instrument valuation procedures include spread matrix development, assignment of private spreads, proprietary software ("Factset FIM") used to calculate prices, and a committee review process. Inputs generally include market comparables (Barclays Capital U.S. Corporate index representing an estimate of a corporate bond's spread to the treasury curve entry level multiples), various maturities, average lives and credit qualities, as well as other variables. The bank loan security valuation procedures calculate a best estimate of an exit price for a holding as of the valuation date using a bank loan pricing service ("Markit Loan Pricing"), which incorporates various valuation methods. These methods include composite pricing, implied pricing and model pricing. Inputs generally include market data from global trading desks, loan marks, data quality scores, comparable loan prices, and an industry and rating matrix.

During 2012 and 2011, transfers in and out of Level 3 were not significant and were determined based on changes in the existence of observable pricing inputs and valuation techniques.

Transfers between levels are recognized at the beginning of the reporting period. There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2012 and 2011.

Cash and cash equivalents consist of federal agency notes, repurchase agreements, money market funds, late money deposits and demand deposits with an original maturity, when purchased, of less than ninety days. These investments are carried at cost, which approximates fair value.

Realized investment gains and losses resulting from sales of investments are recorded on a specific identification basis and are included in investment and other income.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

Securities Lending Collateral Portfolio and Securities Lending Obligation

The Company, with the permission of the OIR, retains an agent to manage a securities lending collateral portfolio. Under the Company's securities lending policy, certain securities from its portfolio are loaned to other institutions for short periods of time. Such securities are classified as available for sale in the consolidated balance sheets. Initial collateral consisting primarily of cash, is required at a rate of 102% of the fair value of a loaned domestic security and 105% of the fair value of a loaned foreign security. The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the fair value of the loaned securities fluctuates. The collateral is deposited by the borrower with an independent lending agent and retained and invested by the lending agent according to the Company's guidelines to generate additional income.

Investments made by the lending agent with securities lending collateral are carried at fair value and unrealized gains and losses from changes in the fair value are included in accumulated other comprehensive income (loss), net of deferred income taxes.

Concentration of Credit Risk

Cash is primarily held in deposits in noninterest-bearing transaction accounts with U.S. banks or in money market mutual funds. The financial stability of these institutions is reviewed on a periodic basis. Fixed maturity securities are diversified and primarily include investment grade securities, with a small percentage of below investment grade securities. Diversification is enforced by limiting individual nongovernment issues to no more than 5% of the portfolio.

The Company does not engage in significant subprime residential mortgage lending. The Company's exposure to subprime lending is primarily limited to investments within the fixed maturity investment portfolio which contain securities issued by financial institutions that may directly or indirectly own securities collateralized by mortgages that have characteristics of subprime lending, and equity securities with exposure to the real estate industry. As of December 31, 2012 and 2011, the Company did not own any securities backed by subprime mortgages.

Revenue Recognition

Premiums for fully insured contracts are billed in advance of coverage periods and recognized as revenue ratably over the period of service or coverage. Reserves for medical loss ratio rebates that are required by federal regulations described in Note 10 are recorded as a reduction to premiums with a corresponding liability included in unearned premiums. As of December 31, 2012 and 2011, medical loss ratio rebate reserves totaled \$1 and \$55 million, respectively. Medical loss ratio rebates of approximately \$36 million were paid to groups during 2012, which related to rebate calculations for the 2011 reporting year. 2011 was the first year that medical loss ratio rebates were payable to policyholders. Other revenue is recognized as income when earned.

Certain group contracts provide for the group to be at risk for all or a portion of their claims experience. Some of these self-funded groups purchase aggregate and/or specific stop-loss coverage from the Company under which the group's aggregate liability or the group's liability on any individual member is capped for the contract year. The group contracts detail the Company's administrative fee for the self-funded groups, which is primarily based on the number of members in a group and the group's claims experience. Under the Company's self-funded arrangements, amounts billed to the groups include paid claims, administrative and other fees, and stop-loss premiums, if any.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

Certain group contracts provide for retrospectively rated premium based on the actual claims experience of the group. Reserves for retrospective adjustments to premium are estimated quarterly. Amounts are recorded to premiums receivable for loss experience in excess of initial estimates and recorded to policy reserves for loss experience less than initial estimates. As of December 31, 2012 and 2011, receivables for retrospectively rated premium adjustments were \$2 and \$1 million, respectively. As of December 31, 2012 and 2011, policy reserves for retrospectively rated premium adjustments were \$33 and \$18 million, respectively.

General and administrative expenses are allocated to various lines of business and subsidiaries of the Company in order to determine the expense reimbursement due from the Centers for Medicare and Medicaid Services ("CMS"), where the Company acts as a fiscal intermediary. Reimbursements of \$278 and \$127 million for the years ended 2012 and 2011, respectively, (which approximate the cost of administering these programs) were included in management services revenue. The actual cost of administration is included in general and administrative expenses. Reimbursements and claim payments are subject to audit by the respective agencies and any resulting adjustments are reflected in current operations. In connection with this fiscal intermediary contract and expense reimbursement arrangement, the Company processed 235 million claims totaling \$66 billion in 2012 and 85 million claims totaling \$19 billion in 2011.

Accounting for the Medicare Part D Prescription Drug Program

The Company serves as a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with CMS. Premiums received in advance are recorded as unearned premiums. Costs for covered prescription drugs are expensed as incurred. Low-income claims subsidy and reinsurance paid in advance by CMS are recorded as liabilities in accounts payable and accrued expenses and reduce claims and medical expenses as earned. A risk sharing (reinsurance) arrangement provides a risk corridor whereby the target amount (premiums received from members and CMS based on the Company's annual bid amount less administrative expenses) is compared to actual drug costs incurred during the contract year. Based on actual claims incurred, a receivable or payable is recorded as an adjustment to premiums. A reconciliation of the final risk sharing, low-income subsidy and catastrophic amounts is required annually.

As a plan sponsor, the Company administers the Medicare coverage gap subsidy, a 50% discount from pharmaceutical manufacturers to Medicare Part D enrollees on drug costs exceeding their initial coverage limit until they qualify for catastrophic coverage. Amounts paid to pharmacies for this discount by the Company are recorded as pharmacy rebates receivable in premiums and other receivables, net, until reimbursement is received from the pharmaceutical manufacturers.

Receivables

Receivables are reported net of an allowance for estimated uncollectible amounts of \$27 and \$30 million at December 31, 2012 and 2011, respectively. Management establishes the allowance based on judgments regarding the age of the receivables, terms of the contracts, historical write-offs, financial status of debtor and other circumstances. The Company's receivables are not held for sale.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

Premium receivables are billed in advance of the coverage period and are generally due on the first day of the coverage period. Group premium receivables are aged based on the due date and are considered delinquent after 10 days while premium receivables relating to individual coverage are considered delinquent after 30 days. All delinquent accounts are pursued for a reasonable period of time until further collection efforts appear of limited value and are then written off. Although collection efforts may continue, premium accounts receivable delinquent more than 90 days are fully reserved.

Claim overpayment recovery receivables are billed when identified and are considered due when invoiced. Overpayment recovery receivables are aged based on the due date and are considered delinquent after 90 days. The Company utilizes offsetting against current claim payments for delinquent accounts or the amounts are referred to outside collection agencies for final collection efforts if offsetting is not accomplished. All delinquent accounts are pursued for a reasonable period of time until further collection efforts appear of no value and are then written off. Although collection efforts may continue, claim overpayment recovery receivables aged more than one year are fully reserved.

Receivables for amounts due to the Company under reimbursable contracts are also established as liabilities. The Company records its proportional share of unearned premiums and related receivables for the Federal Employees Health Benefits Program ("FEP"), administered by the Association through the FEP Director's Office.

Property, Equipment and Computer Software

Property, equipment and computer software are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from three to thirty-nine years.

Computer software costs consist of costs to purchase and develop software. The Company capitalizes internally developed software costs on a project-specific basis. Amortization of capitalized software is computed on a per project basis over a period of three to seven years, depending on the useful life of the related software.

Property, equipment and computer software are reviewed for possible impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment losses were \$5 and \$1 million for the years ended December 31, 2012 and 2011, respectively, and were included in investment and other income. The impairment losses recognized in 2012 related to computer software assets utilized by OptaComp.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets at date of acquisition. The Company has three reporting units for purposes of measuring the goodwill recorded in the consolidated balance sheets. The changes in the carrying amount of goodwill for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of dollars)</i>	2012	2011
Balances as of January 1	\$ 95	\$ 95
Acquisition of Novitas	11	-
Acquisition of DCMG	33	-
Balances as of December 1	<u>\$ 139</u>	<u>\$ 95</u>

Other intangible assets at December 31, 2012 and 2011, respectively, are as follows:

<i>(in millions of dollars)</i>	2012			2011		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Customer contracts and related relationships	\$ 55	\$ 13	\$ 42	\$ 32	\$ 8	\$ 24
Trademarks and trade names	5	1	4	5	1	4
Proprietary software	2	2	-	2	1	1
Other	-	-	-	1	-	1
Total other intangible assets	<u>\$ 62</u>	<u>\$ 16</u>	<u>\$ 46</u>	<u>\$ 40</u>	<u>\$ 10</u>	<u>\$ 30</u>

The Company amortizes other intangible assets on a straight-line basis over periods ranging from 2 to 40 years. Management revises amortization periods if it believes there has been a change in the length of time that an intangible asset will continue to have value. Amortization expense for these intangible assets was \$7 and \$3 million in 2012 and 2011, respectively.

Estimated aggregate amortization expense for each of the five succeeding years and thereafter is as follows:

<i>(in millions of dollars)</i>	
Years Ending	
2013	\$ 6
2014	5
2015	5
2016	4
2017	4
Thereafter	<u>22</u>
	<u>\$ 46</u>

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

Impairment testing of goodwill and other intangible assets is performed annually. The annual impairment testing performed in 2012 resulted in \$3 million in impairment losses related to intangible assets recorded for Optacomp. Annual impairment testing of goodwill and other intangible assets was also performed in 2011, resulting in no impairment losses.

Prepaid and Other Assets

Prepaid and other assets are primarily comprised of the cash surrender value of corporate owned life insurance policies, premium and state income tax recoverables, and prepaid expenses. The Company purchases variable universal life insurance policies to facilitate the funding of an unqualified supplemental pension plan and certain other nonqualified deferred compensation benefits and is the sole owner and beneficiary of such policies. The cash surrender value of these policies, carried at fair value based on the unit values of the underlying funds adjusted by the change in their net asset values ("NAV"), dividends and capital gains, was \$201 and \$186 million at December 31, 2012 and 2011, respectively. The Company has recorded amounts recoverable for premium and state income tax credits of \$6 and \$102 million as of December 31, 2012 and 2011, respectively, for guarantee fund assessments. The Company records software licensing and maintenance agreements in progress as prepaid expenses and amortizes them over the term of the contract.

Deferred Acquisition Costs

The costs of acquiring new business, principally commissions, certain expenses of policy issuance and underwriting for certain products are deferred. These expenses are primarily related to the sales production of Individual Under 65 non-HMO and certain Medicare supplemental products. Deferred acquisition costs are amortized over the expected premium-paying period of the related policies. Amortization expense charged to operations for the years ended December 31, 2012 and 2011 was \$30 and \$45 million, respectively. Recoverability tests are performed annually and the deferred acquisition costs were deemed to be recoverable at December 31, 2012 and 2011.

Liability for Policyholders' Benefits

The Company establishes a liability for incurred but not reported claims based on factors such as historical paid and incurred claims data using actuarially accepted methodologies. The assumptions used in determining the liability are regularly reviewed and any adjustment resulting from these reviews is reflected in current estimates. Processing costs related to such estimated claims are accrued and reported in accounts payable and accrued expenses. See Note 5 for an analysis of changes in the liability for claims outstanding and unpaid claims adjustment expenses.

Policy reserves for certain health insurance products are established to reflect the concept that current premiums include a component to pre-fund future claims. Policy reserves are recognized on a net level premium method based on assumptions deemed appropriate for the year of contract issuance as to future investment yield, mortality, morbidity, and withdrawals, including margins for adverse deviation. Policy reserves are periodically analyzed for sufficiency using the gross premium valuation method without margin for adverse deviation. Interest assumptions are consistent with applicable yield rates. Mortality, morbidity, and withdrawal assumptions are based on recognized actuarial tables or Company experience, as appropriate. Policy reserves are calculated using mid-terminal reserve factors. The assumed investment yield utilized in the determination of these policy reserves was 6% in both 2012 and 2011. Policy benefit claims and changes in reserves are charged to expense in the year incurred.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

The Company evaluates its health care contracts to determine if it is probable that a loss will be incurred. A premium deficiency loss is recognized when it is probable that expected future claims, claims adjustment expenses, unamortized deferred acquisition costs, and maintenance costs will exceed anticipated future premiums on existing contracts, without consideration of investment income. For purposes of determining if premium deficiency losses exist, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. No premium deficiency reserves have been established for 2012 or 2011 as all contract groupings had sufficiencies.

Accrued Payroll and Related Benefits

Accrued payroll and related benefits contain accrued liabilities for salaries, employee withholdings, paid time off, pension, 401(k), postretirement and postemployment benefits.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are primarily comprised of trade payables, commissions payable, payables to investment brokers for pending trades, guaranty fund assessments, and other accrued expenses.

Guaranty Fund Assessments

Under Florida law, the Company is subject to state guaranty fund assessments, the purpose of which is to collect money from solvent insurance companies to cover certain losses resulting from the insolvency or rehabilitation of other insurance companies. The Company's policy is to recognize its obligation for guaranty fund assessments when it becomes aware that an insolvency has occurred for which the Company will be assessed and the amount of such assessment can be reasonably estimated. The Company is entitled under Florida law to recover such guaranty fund assessments through premium and state income tax credits.

During 2011, guaranty fund assessments for several insolvent companies of \$6 million were recorded and paid and an offsetting premium and state income tax recoverable was recorded. The Company assesses the adequacy of the estimate of the obligation for guaranty fund assessments at least annually.

Income Taxes

The Company files consolidated federal and state income tax returns with its eligible subsidiaries. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using currently enacted tax rates and laws in effect for the years in which the differences are expected to reverse.

Pharmacy Rebates

Pharmacy rebates ("rebates") are volume discounts negotiated with drug manufacturers by the Company's pharmacy benefit manager on behalf of the Company. Rebates are earned when a discounted medication is dispensed to the Company's member with pharmacy benefits coverage. The Company estimates rebates using the previous rebate payments as a basis and applies these estimates to the actual prescriptions filled for three months. Rebates are recorded in premiums and other receivables, net and as a reduction to claims and medical expenses.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) includes both net income and other comprehensive income (loss). Accumulated other comprehensive income (loss) consist of net changes in unrealized investment gains and losses and postretirement liability adjustments. Policyholders' equity at December 31, 2012 and 2011 includes accumulated other comprehensive income (loss) components as follows:

<i>(in millions of dollars)</i>	2012	2011
Unrealized investment gains and losses, net of deferred income taxes of \$109 and \$75, respectively	\$ 172	\$ 123
Postretirement liability adjustments, net of deferred income taxes of \$6 and \$11, respectively	<u>(9)</u>	<u>(20)</u>
Total accumulated other comprehensive income	<u>\$ 163</u>	<u>\$ 103</u>

Policyholders' Equity

As of December 31, 2012 and 2011, policyholders' equity includes \$497 and \$446 million of net assets in not-for-profit controlled affiliates, respectively. Therefore, the net assets of these affiliates are not available to satisfy obligations of the Plan, as restricted by the Internal Revenue Code.

Recently Issued Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, *Presentation of Comprehensive Income*, amending ASC Topic 220, *Comprehensive Income* ("ASU 2011-05"). The amended standard requires presentation of total comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements of net income and other comprehensive income. The new guidance also called for reclassification adjustments from other comprehensive income to be measured and presented by income statement line item in net income and in other comprehensive income. This guidance must be applied retrospectively and was effective for interim and annual periods ending after December 15, 2012. Consistent with this guidance, the Company changed its presentation of net income and other comprehensive income into a single continuous consolidated statement of comprehensive income and applied the guidance retrospectively to 2011. However, in December 2011, the FASB issued ASU 2011-12, *Comprehensive Income*, amending ASC Topic 220, *Comprehensive Income*, which deferred the portion of the ASU 2011-05 guidance related to the presentation of reclassification adjustments out of accumulated other comprehensive income.

In July 2011, the FASB issued ASU 2011-06, *Fees Paid to the Federal Government by Health Insurers*, amending ASC Topic 720, *Other Expenses*. The amended standard specifies that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable. A corresponding deferred asset is recorded and amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. Such fees do not meet the definition of an acquisition cost as amended by ASU 2010-26, *Financial Services-Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. The amendment is effective for calendar years beginning after December 31, 2013, when the health insurer fee provided for in the legislation described in Note 10 becomes effective. The Company estimates a health insurer fee ranging from \$100 to \$110 million may be payable in 2014.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*, amending ASC Topic 210, *Balance Sheet*, which requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The new guidance is effective for fiscal periods beginning on or after January 1, 2013. The Company will adopt the guidance in 2013 and it is not expected to have a significant impact on the Company's consolidated financial statements.

2. Investments Available for Sale

Investments available for sale at December 31, 2012 and 2011 are summarized as follows:

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in millions of dollars)</i>				
Fixed maturities				
U. S. Treasury and agency notes	\$ 613	\$ 48	\$ -	\$ 661
U. S. Agency mortgage-backed securities	957	48	-	1,005
Other mortgage and asset backed securities	20	2	-	22
Corporate debt securities	803	68	2	869
Tax-exempt securities	466	28	1	493
Foreign government securities	14	1	-	15
Foreign mortgage and asset backed securities	2	-	-	2
Foreign corporate securities	155	16	-	171
Total fixed maturities	<u>3,030</u>	<u>211</u>	<u>3</u>	<u>3,238</u>
Equities				
Preferred stock	133	16	-	149
Common stock - domestic	414	72	-	486
Common stock - international	222	16	1	237
Total equities	<u>769</u>	<u>104</u>	<u>1</u>	<u>872</u>
Total available for sale investments	<u>\$ 3,799</u>	<u>\$ 315</u>	<u>\$ 4</u>	<u>\$ 4,110</u>

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in millions of dollars)</i>				
Fixed maturities				
U. S. Treasury and agency notes	\$ 558	\$ 45	\$ -	\$ 603
U. S. Agency mortgage-backed securities	913	56	-	969
Other mortgage and asset backed securities	23	1	-	24
Corporate debt securities	794	47	8	833
Tax-exempt securities	434	31	-	465
Foreign government securities	58	4	1	61
Foreign mortgage and asset backed securities	2	-	-	2
Foreign corporate securities	171	13	1	183
Total fixed maturities	2,953	197	10	3,140
Equities				
Preferred stock	126	13	1	138
Common stock - domestic	372	36	3	405
Common stock - international	259	1	26	234
Total equities	757	50	30	777
Total available for sale investments	\$ 3,710	\$ 247	\$ 40	\$ 3,917

As of December 31, 2012 and 2011, \$2,863 or 88% and \$2,777 million or 88%, respectively, of the fixed maturities in the Company's portfolio were investment grade (Baa and above, or equivalent). As of December 31, 2012 and 2011, \$375 and \$363 million, respectively, were below investment grade, within the guidelines of the Company's investment policy. Equity securities are primarily held with the investment objective of diversification, yield and potential capital appreciation.

As of December 31, 2012 and 2011, fixed maturities and equity securities with a decline in fair value below amortized cost were as follows, including the length of time of such decline:

	2012					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in millions of dollars)</i>						
Fixed maturities						
U. S. Treasury and agency notes	\$ 48	\$ -	\$ -	\$ -	\$ 48	\$ -
U. S. Agency mortgage-backed securities	93	-	-	-	93	-
Other mortgage and asset backed securities	-	-	1	-	1	-
Corporate debt securities	74	(1)	8	(1)	82	(2)
Tax-exempt securities	47	(1)	-	-	47	(1)
Foreign mortgage and asset backed securities	2	-	-	-	2	-
Foreign corporate securities	3	-	1	-	4	-
Total fixed maturities	267	(2)	10	(1)	277	(3)
Equities						
Preferred stock	11	-	1	-	12	-
Common stock - domestic	2	-	-	-	2	-
Common stock - international	-	-	13	(1)	13	(1)
Total equities	13	-	14	(1)	27	(1)
	\$ 280	\$ (2)	\$ 24	\$ (2)	\$ 304	\$ (4)

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

	2011					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in millions of dollars)</i>						
Fixed maturities						
U. S. Treasury and agency notes	\$ 7	\$ -	\$ -	\$ -	\$ 7	\$ -
Other mortgage and asset backed securities	-	-	1	-	1	-
Corporate debt securities	160	7	5	1	165	8
Tax-exempt securities	-	-	3	-	3	-
Foreign government securities	8	1	1	-	9	1
Foreign corporate securities	22	1	3	-	25	1
Total fixed maturities	197	9	13	1	210	10
Equities						
Preferred stock	28	1	1	-	29	1
Common stock - domestic	103	3	-	-	103	3
Common stock - international	224	26	-	-	224	26
Total equities	355	30	1	-	356	30
	<u>\$ 552</u>	<u>\$ 39</u>	<u>\$ 14</u>	<u>\$ 1</u>	<u>\$ 566</u>	<u>\$ 40</u>

Consistent with the accounting policy described in Note 1, the Company evaluated the securities in an unrealized loss position at the balance sheet date and determined that no securities were other-than-temporarily impaired at December 31, 2012 and 2011.

The amortized cost and fair value of fixed maturities at December 31, 2012 and 2011 by contractual maturity are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(in millions of dollars)</i>				
Due in one year or less	\$ 53	\$ 53	\$ 35	\$ 36
Due after one year through five years	893	940	938	974
Due after five years through ten years	865	935	787	842
Due after ten years	240	281	255	293
	<u>2,051</u>	<u>2,209</u>	<u>2,015</u>	<u>2,145</u>
Mortgage and asset backed securities	979	1,029	938	995
	<u>\$ 3,030</u>	<u>\$ 3,238</u>	<u>\$ 2,953</u>	<u>\$ 3,140</u>

Proceeds from sales of investments during 2012 and 2011 were \$1,607 and \$1,836 million, respectively. Proceeds from maturities of investments during 2012 and 2011 were \$3 and \$2 million, respectively. Gross gains of \$54 and \$45 million and gross losses of \$10 and \$8 million were realized on those sales in 2012 and 2011, respectively. During 2012 and 2011, no realized losses were recorded for the write-down of securities deemed to be other-than-temporarily impaired.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The following tables present disclosures about fair value measurements at December 31, 2012 and 2011 for assets measured at fair value on a recurring basis:

	2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>(in millions of dollars)</i>				
Fixed maturities				
U.S. Treasury and agency notes	\$ 661	\$ -	\$ -	\$ 661
U.S. Agency mortgage-backed securities	144	861	-	1,005
Other mortgage and asset backed securities	-	22	-	22
Corporate debt securities	43	713	113	869
Tax-exempt securities	32	461	-	493
Foreign government securities	-	15	-	15
Foreign mortgage and asset backed securities	-	2	-	2
Foreign corporate securities	-	98	73	171
Total fixed maturities	880	2,172	186	3,238
Equities				
Preferred stock	-	149	-	149
Common stock - Domestic	485	-	1	486
Common stock - International	237	-	-	237
Total equities	722	149	1	872
Total available for sale investments	1,602	2,321	187	4,110
Securities lending collateral portfolio	-	25	-	25
Cash equivalents	-	31	-	31
Total invested assets	\$ 1,602	\$ 2,377	\$ 187	\$ 4,166
Corporate owned life insurance	\$ -	\$ 201	\$ -	\$ 201

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

	2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>(in millions of dollars)</i>				
Fixed maturities				
U.S. Treasury and agency notes	\$ 603	\$ -	\$ -	\$ 603
U.S. Agency mortgage-backed securities	109	860	-	969
Other mortgage and asset backed securities	-	24	-	24
Corporate debt securities	128	633	72	833
Tax-exempt securities	-	465	-	465
Foreign government securities	-	61	-	61
Foreign mortgage and asset backed securities	-	2	-	2
Foreign corporate securities	-	115	68	183
Total fixed maturities	840	2,160	140	3,140
Equities				
Preferred stock	-	138	-	138
Common stock - Domestic	404	-	1	405
Common stock - International	234	-	-	234
Total equities	638	138	1	777
Total available for sale investments	1,478	2,298	141	3,917
Securities lending collateral portfolio	-	88	-	88
Cash equivalents	-	63	-	63
Total invested assets	\$ 1,478	\$ 2,449	\$ 141	\$ 4,068
Corporate owned life insurance	\$ -	\$ 186	\$ -	\$ 186

The corporate debt securities, foreign corporate securities and domestic common stock measured using level 3 inputs are comprised of the following: private placement debt instruments (\$142 and \$140 million at December 31, 2012 and 2011, respectively); bank loan securities (\$42 and \$0 million at December 31, 2012 and 2011, respectively); and other securities (\$3 million and \$1 million at December 31, 2012 and 2011, respectively).

Common stock holdings include index mutual funds with a fair value of \$203 and \$169 million at December 31, 2012 and 2011, respectively, which are valued at the NAV of the underlying securities on a daily basis. These funds may be redeemed daily without restriction.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

The following tables present disclosures about fair value measurements at December 31, 2012 and 2011 using significant unobservable inputs (Level 3). Reclassifications impacting Level 3 financial instruments are reported as transfers in (out) of the Level 3 category as of the beginning of the period in which the transfer occurs. Explanations for transfers in (out) of Level 3 and recognition of transfers between levels are presented in the investment section of Note 1. Gains and losses included in income only reflect activity for the period the instrument was classified in Level 3. There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2012 and 2011.

<i>(in millions of dollars)</i>	U. S. Agency Mortgage- Backed Securities	Other Mortgage and Asset Backed Securities	Corporate Debt Securities	Foreign Corporate Securities	Common Stock - Domestic	Securities Lending Collateral Portfolio	Total
Ending balances at December 31, 2010	\$ 1	\$ 1	\$ 68	\$ 66	\$ 1	\$ 1	\$ 138
Transfers into Level 3	-	-	2	-	-	-	2
Transfers out of Level 3	(1)	(1)	-	-	-	-	(2)
Total gains or losses							
Included in earnings (or changes in net assets)	-	-	2	1	-	-	3
Included in other comprehensive income	-	-	-	1	-	-	1
Purchases, issuances, sales, and settlements							
Purchases	-	-	5	8	-	-	13
Issuances	-	-	-	-	-	-	-
Sales	-	-	(5)	(8)	-	(1)	(14)
Settlements	-	-	-	-	-	-	-
Ending balances at December 31, 2011	-	-	72	68	1	-	141
Transfers into Level 3	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-
Total gains or losses							
Included in earnings (or changes in net assets)	-	-	-	-	-	-	-
Included in other comprehensive income	-	-	3	2	-	-	5
Purchases, issuances, sales, and settlements							
Purchases	-	-	48	5	-	-	53
Issuances	-	-	-	-	-	-	-
Sales	-	-	(10)	(2)	-	-	(12)
Settlements	-	-	-	-	-	-	-
Ending balances at December 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ 73</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 187</u>

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Realized gains and losses included in earnings for assets held and measured using Level 3 inputs at December 31, 2012 and 2011 are as follows:

<i>(in millions of dollars)</i>	Fixed Maturities Securities, Available for Sale	Equity Securities, Available for Sale	Securities Lending Collateral Portfolio
The amount of total gains or losses for the year ended December 31, 2012 included in earnings attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2012	\$ -	\$ -	\$ -
The amount of total gains or losses for the year ended December 31, 2011 included in earnings attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2011	\$ -	\$ -	\$ -

For assets measured using Level 3 inputs, realized gains and losses included in earnings and unrealized gains and losses included in other comprehensive income (loss) for the period are reported as follows:

<i>(in millions of dollars)</i>	Fixed Maturities Securities, Available for Sale	Equity Securities, Available for Sale	Securities Lending Collateral Portfolio
Total gains and losses included in earnings for the year ended December 31, 2012 (above)	\$ -	\$ -	\$ -
Change in unrealized gains or losses related to assets still held at December 31, 2012	5	-	-
Total gains and losses included in earnings for the year ended December 31, 2011 (above)	\$ 1	\$ -	\$ -
Change in unrealized gains or losses related to assets still held at December 31, 2011	3	-	-

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

3. Property, Equipment and Computer Software

Property, equipment, computer software consisted of the following at December 31:

<i>(in millions of dollars)</i>	2012	2011
Land	\$ 38	\$ 37
Buildings and improvements	394	387
Equipment	225	225
Computer software	482	441
Total property, equipment and computer software	1,139	1,090
Less: Accumulated depreciation and amortization	(789)	(747)
Net property, equipment and computer software	<u>\$ 350</u>	<u>\$ 343</u>

Depreciation expense for 2012 and 2011 was \$51 and \$53 million, respectively, of which \$23 and \$22 million, respectively, was related to computer software. Internally developed software of \$16 and \$2 million in 2012 and 2011, respectively, was capitalized. Computer software, net of amortization, as of December 31, 2012 and 2011, was \$51 and \$41 million, respectively.

The Company capitalizes interest incurred on funds used to construct property, equipment and computer software. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's useful life. Interest cost capitalized was less than \$1 million for both years ended December 31, 2012 and 2011.

4. Investments in Joint Ventures and Affiliates

Investments in joint ventures and affiliates accounted for using the equity method of accounting, along with the current percentage of ownership, were as follows at December 31, 2012 and 2011:

<i>(in millions of dollars)</i>	2012	2011	2012 Percentage Ownership
Availity	\$ 31	\$ 25	32.7 %
FTH	23	-	50.0 %
LSVP	66	66	27.2 %
NDES	78	79	15.3 %
New Directions	13	11	25.0 %
Prime	25	27	10.4 %
Other	13	15	3% to 50 %
	<u>\$ 249</u>	<u>\$ 223</u>	

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

In April 2011, the Company, through its subsidiary Navigy Holdings, Inc., acquired 15% of the outstanding shares of CareCentrix Holdings, Inc. ("CareCentrix"), for \$59 million. In September 2011, Navigy Holdings, Inc. exchanged its ownership in CareCentrix for an ownership interest in NDES, a Delaware limited liability company, of 15.3%, with a fair value of \$79 million. This subsequent transaction resulted in a change in the majority owner and a change in the organizational structure in which NDES purchased CareCentrix.

NDES, through its wholly owned subsidiaries, provides home health care benefits management services and sleep benefits management for managed care organizations and health benefit plans. The excess of the fair value of the Company's ownership interest as determined in these transactions over the original purchase price of CareCentrix of \$20 million was recorded as a deferred credit. This deferred credit is included in accounts payable and accrued expenses in the consolidated balance sheets. The deferred credit is being amortized using the straight-line method over the contract period of seven years starting in September 2011 and is recorded in investment and other income in the consolidated statements of comprehensive income. The amortization was \$3 million and less than \$1 million for the years ended December 31, 2012 and 2011, respectively.

In June 2011, the Company acquired a 25% ownership interest in New Directions, a Missouri limited liability company which delivers and manages services for managed behavioral healthcare programs, for \$11 million.

As described in note 1, the Company has committed to fund FTH adequately to comply with all regulatory and Association requirements.

5. Liability for Claims Outstanding and Unpaid Claims Adjustment Expenses

Activity in the liability for claims outstanding and unpaid claims adjustment expenses is summarized as follows for the years ended December 31, 2012 and 2011:

<i>(in millions of dollars)</i>	2012	2011
Balances at January 1,	\$ 497	\$ 538
Incurred related to		
Current year	5,183	4,514
Prior years	(23)	(51)
Total incurred	<u>5,160</u>	<u>4,463</u>
Paid related to		
Current year	4,645	4,022
Prior years	466	482
Total paid	<u>5,111</u>	<u>4,504</u>
Balances at December 31,	\$ 546	\$ 497

The balances at December 31, 2012 and 2011 include unpaid claims adjustment expenses of \$12 million and exclude reinsurance ceded reserves of \$10 million. The unpaid claims adjustment expenses are included in accounts payable and accrued expenses and the reinsurance ceded reserves are included in premiums and other receivables, net in the consolidated balance sheets.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

As noted in the above schedule, the decrease in prior years' reserves was \$23 million for 2012 and \$51 million for 2011. Based on subsequent claims runout information, additional analysis was performed to determine the favorable claim development that occurred during 2012 for 2011 and prior experience. The decrease in prior years' reserves during 2012 of \$23 million was primarily the result of a release from the provision for moderately adverse conditions as well as lower medical trend. Similarly, additional analysis was performed to determine the favorable claim development that occurred during 2011 for 2010 and prior experience. The decrease in prior years' reserves during 2011 of \$51 million was primarily the result of a release from the provision for moderately adverse conditions as well as lower medical trend. These estimates are reviewed regularly by qualified actuaries employed by the Company, and are adjusted as necessary as new information becomes known. Such adjustments are included in current operations.

6. Benefit Plans

The Company has a noncontributory defined benefit pension plan which provides retirement benefits to substantially all of its employees hired prior to January 1, 2007. The plan provides benefits based on years of service and the employee's compensation as detailed in the plan document. The plan is funded through the Blue Cross and Blue Shield National Retirement Trust ("Trust"), a collective investment trust which services the retirement programs of its participating employers. The plan consists of a formula component and a pension equity formula component. Participation in the plan is dependent upon hire date. All employees hired after January 1, 2000 but prior to January 1, 2007 are participants in the pension equity component. Employees hired prior to January 1, 2000 were able to choose the plan they participated in going forward. As of January 1, 2007, the plan was closed to new entrants. Employees hired after January 1, 2007 were offered an enhanced defined contribution plan. Effective December 31, 2010, the defined benefit pension plan was amended to freeze benefit accruals. As a result, participants in the plan will earn no further benefits regardless of services performed. All employees were offered an enhanced defined contribution plan, effective January 1, 2011.

In addition to the defined benefit plan, there is a nonqualified, unfunded, supplemental pension benefit plan. Benefits in this plan were frozen as of December 31, 2010. Assets have been set aside in a Rabbi Trust to informally fund the plan. These assets, which are subject to the claims of the Company's creditors, are primarily invested in corporate owned life insurance, the cash surrender value of which is included in prepaid and other assets in the consolidated balance sheets.

As of January 1, 2012, the Company made a change to its accounting methodology for recognizing actuarial gains and losses for qualified and nonqualified pension benefit plans. The Company had historically recorded changes in actuarial gains and losses in accumulated other comprehensive income on an annual basis and amortized those actuarial gains and losses into the Company's operating results over time based on accepted actuarial methodologies. The Company has elected to immediately recognize changes in actuarial gains and losses in operating results because the Company believes that it is preferable to accelerate the recognition of these deferred gains and losses rather than to delay such recognition. These changes in the Company's actuarial gains and losses result from the effects of changes in demographic, economic, and interest rate conditions and their related impact on the Company's pension obligations, Trust investments and related assumptions.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The 2011 financial statements have been recast to conform to the 2012 presentation, and the 2011 amounts recast are as follows:

(in millions of dollars)

	2011 (As Recast)	2011 (As Previously Reported)
Consolidated Balance Sheet		
There were no changes to previously reported total policyholders' equity. Due to the adoption of ASU 2011-05 during 2012, the components of 2011 policyholders' equity are separately reported and have been recast to conform to the 2012 presentation.		
Consolidated Statement of Comprehensive Income		
General and administrative expenses	\$ 1,724	\$ 1,655
Provision for income taxes	81	108
Net income	219	261
Change in pension and postretirement liability (net of deferred income taxes of \$11 and \$38)	(20)	(62)
Consolidated Statement of Policyholders' Equity		
The cumulative effect of the change in accounting methodology was reflected in the December 31, 2010 balance of policyholders' equity.		
Change in pension and postretirement liability (net of deferred income taxes of \$11 and \$38)	(20)	(62)
Consolidated Statement of Cash Flows		
Net income	219	261
Deferred income taxes	4	31
Accrued payroll and related benefits	62	(7)

The Company also provides certain health care and life insurance benefits to eligible retired employees. Generally, the health care coverages pay a percentage of most medical expenses reduced for any deductibles and payments made by government programs and other group coverages, up to a defined maximum. Life insurance payments are generally provided by insurance contracts. The Company provides access-only to its health and life insurance products and networks to employees hired on January 1, 2006 and thereafter who meet retirement eligibility requirements. The Company makes contributions to a Voluntary Employees Beneficiary Association ("VEBA") for the funding of the postretirement healthcare benefits.

In conjunction with the pension plan freeze, the Company amended the postretirement plan effective December 31, 2010, such that employees with at least 65 points (defined as the employee's age plus years of service) will receive an annual subsidy toward the retiree medical plan. Those with less than 65 points (or hired on or after January 1, 2006) will have access-only to the retiree medical plan.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The following table presents the changes in the benefit obligation and plan assets, the funded status, the components of net periodic pension cost, and other information for the plans:

	Qualified and Non Qualified Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
<i>(in millions of dollars)</i>				
Change in benefit obligation				
Benefit obligation - beginning of year	\$ 652	\$ 563	\$ 159	\$ 138
Service cost	-	-	1	1
Interest cost	31	32	6	7
Actuarial loss (gain)	65	113	(10)	22
Benefits paid	(55)	(56)	(9)	(13)
Participant contributions	-	-	4	4
Benefit obligation - end of year	693	652	151	159
Accumulated benefit obligation	693	652	151	159
Change in plan assets				
Fair value of assets - beginning of year	501	459	117	112
Actual return on plan assets	69	45	17	4
Employer contributions	30	50	-	6
Benefits paid	(35)	(53)	(4)	(5)
Fair value of assets - end of year	565	501	130	117
Funded status	\$ (128)	\$ (151)	\$ (21)	\$ (42)
Amounts recognized in the consolidated balance sheets				
Pension and postretirement liabilities	\$ (128)	\$ (151)	\$ (21)	\$ (42)
Accumulated other comprehensive loss	-	-	15	29
Net amount recognized	\$ (128)	\$ (151)	\$ (6)	\$ (13)
Amounts not yet reflected in net periodic benefit costs and included in other comprehensive (income) loss				
Prior service credit	\$ -	\$ -	\$ (22)	\$ (34)
Accumulated actuarial loss	-	-	37	63
Net amount recognized	\$ -	\$ -	\$ 15	\$ 29
Components of net periodic benefit cost				
Service cost	\$ -	\$ -	\$ 1	\$ 1
Interest cost	31	32	6	7
Expected return on plan assets	(28)	(28)	(6)	(5)
Mark-to-market adjustment	24	95	-	-
Amortization of prior service credit	-	-	(11)	(11)
Amortization of net actuarial loss	-	-	5	3
Total net periodic benefit cost	27	99	(5)	(5)
Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss				
Net actuarial (gain) loss	-	-	(21)	23
Amortization of actuarial loss	-	-	(4)	(3)
Amortization of prior service credit	-	-	11	11
Total recognized in other comprehensive (income) loss	-	-	(14)	31
Total recognized in net periodic benefit cost and other comprehensive (income) loss	\$ 27	\$ 99	\$ (19)	\$ 26

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

	Qualified and Nonqualified Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
<i>(in millions of dollars)</i>				
Amounts included in accumulated other comprehensive income (loss) expected to be recognized during the next fiscal year				
Prior service credit	\$ -	\$ -	\$ (13)	\$ (11)
Actuarial loss	-	-	4	6
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9)</u>	<u>\$ (5)</u>
 Weighted-average assumptions used to determine benefit obligation as of December 31	2012	2011	2012	2011
Discount rate	4.50 %	5.00 %	4.25 %	4.75 %
Rate of compensation increase	NA	NA	3.00 - 6.50 %	3.00 - 6.50 %
Healthcare cost trend for next year - pre 65			8.75 %	9.00 %
Healthcare cost trend for next year - post 65			8.00 %	9.25 %
Ultimate healthcare cost trend rate			5.00 %	5.00 %
Year that the rate reaches ultimate rate - pre 65			2022	2021
Year that the rate reaches ultimate rate - post 65			2022	2022
 Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	5.00 %	6.00 %	4.75 %	5.75 %
Expected long-term return on plan assets	5.50 %	6.50 %	5.00 %	5.00 %
Rate of compensation increase	NA	NA	3.00 - 6.50 %	3.00 - 6.50 %
Healthcare cost trend for next year - pre 65			9.00 %	8.00 %
Healthcare cost trend for next year - post 65			9.25 %	8.00 %
Ultimate healthcare cost trend rate			5.00 %	5.00 %
Year that the rate reaches ultimate rate - pre 65			2021	2016
Year that the rate reaches ultimate rate - post 65			2022	2016

The basis used to determine the overall expected long-term rate of return on pension assets assumption is a forward-looking approach based on the current long-term capital market outlook assumptions of the Trust's target asset allocation of 20% equity securities and 80% long duration debt securities. Using a mean-variance model to project returns over a 30 year horizon under the 2012 target asset allocation, the 35th to 65th percentile range of annual rates of return is 4.8% - 6.2%, net of investment related expenses. The Company selected a rate from within this range of 5.5% for 2012, which reflects management's judgment of the best estimate for this assumption based on the process described above. This rate is net of both investment related expenses and a 0.10% reduction for other administrative expenses charged to the Trust.

The expected long-term rate of return on postretirement assets is estimated based on the development of a forecast of risk and return for each individual asset class using a variety of quantitative and statistical methodologies. Historical return patterns and correlation, consensus return forecasts and other relevant financial factors are analyzed for reasonableness and appropriateness.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

The effect of a 1% increase in the assumed health care cost trend rate would increase the total service and interest costs by less than \$1 million at December 31, 2012 and 2011. The effect of a 1% decrease in the assumed health care cost trend rate would decrease the total service and interest costs by less than \$1 million at December 31, 2012 and 2011.

The effect of a 1% increase in the assumed health care cost trend rate would increase the Accumulated Postretirement Benefit Obligation ("APBO") by \$6 and \$8 million at December 31, 2012 and 2011, respectively. The effect of a 1% decrease in the assumed health care cost trend rate would decrease the APBO approximately \$5 and \$7 million at December 31, 2012 and 2011, respectively.

Fair Value Measurements of Benefit Plan Assets

The following is a description of the valuation methodologies used for benefit plan assets. There have been no changes in the methodologies used during the years ended December 31, 2012 and 2011.

Common stock, preferred stock, and fixed income securities including government and corporate debt securities traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Trust's investment manager's best estimates. In general, corporate debt securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in government debt securities are estimated using best available trade data. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. The multiple chosen is consistent with multiples of similar companies based on current market prices. Investments in other equities are based on quoted market prices.

Partnerships and joint ventures are valued at estimated fair value which, based on the appraised values, approximates market price and other market information pertaining to their underlying investments at December 31. Because of inherent uncertainty of valuing these investments and certain of the underlying investments, the Trust's estimate of fair value may differ from the values that would have been used had a ready market for the investment existed. The financial statements of these investments are audited annually by an independent public accounting firm.

Fair values of real estate investments are based on the quoted redemption values of the participation units in real estate funds owned by the Trust. Redemption values principally represent the appraised values of real estate investments held in the real estate funds.

Mutual funds are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities, and then divided by the number of shares outstanding.

Common and collective trusts represent investments with various investment managers. Units held in common and collective trusts, including stable value funds, are valued at the unit value as reported by the investment managers.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Hedge fund investments represent investments in hedge fund of funds and investments in portfolios investing in a range of stocks, bonds, distressed corporate debt, government debt, emerging market equities, currencies, commodities, commodity and financial futures, options, forwards, swaps and derivative instruments. Hedge fund of funds investments are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund (including investments in a master fund that is primarily comprised of hedge funds) minus its liabilities and then divided by the number of shares outstanding. In general, portfolio securities for which market quotations are readily available are valued at market value. If market quotations are not readily available, the fair value is determined based on other relevant factors, including deal price quotations, price activity for equivalent investments and valuation pricing models.

Money market funds are valued at amortized cost plus accrued interest, which approximates fair value.

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows:

Fair Value Measurements at December 31, 2012				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>(in millions of dollars)</i>				
Qualified pension benefit plans				
Government debt securities	\$ 48	\$ 60	\$ -	\$ 108
Corporate debt securities	-	4	-	4
Limited liability corporations	-	6	-	6
Mutual funds	21	318	-	339
Common and collective trusts	-	93	-	93
Hedge funds	-	-	4	4
Common stock	11	-	-	11
Money market funds	1	-	-	1
	<u>\$ 81</u>	<u>\$ 481</u>	<u>\$ 4</u>	<u>566</u>
Accrued income				1
Receivables				3
Payables				(5)
				<u>\$ 565</u>
Postretirement benefit plans				
Mutual fund investments				
Long-term tax exempt funds	\$ 71	\$ -	\$ -	\$ 71
Total stock market index funds	20	-	-	20
Long-term investment grade funds	20	-	-	20
Tax managed funds	13	-	-	13
High yield funds	6	-	-	6
	<u>\$ 130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130</u>

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Fair Value Measurements at December 31, 2011				
(in millions of dollars)	Quoted Prices in Active Markets for for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Qualified pension benefit plans				
Government debt securities	\$ -	\$ 72	\$ 1	\$ 73
Corporate debt securities	-	18	1	19
Partnerships and joint ventures	-	5	5	10
Real estate	-	-	13	13
Mutual funds	17	246	-	263
Common and collective trusts	-	110	-	110
Hedge funds	-	-	4	4
Common stock	13	1	-	14
Preferred stock	1	-	-	1
Money market funds	2	-	-	2
	<u>\$ 33</u>	<u>\$ 452</u>	<u>\$ 24</u>	<u>509</u>
Accrued income				1
Receivables				3
Payables				(12)
				<u>\$ 501</u>
Postretirement benefit plans				
Mutual fund investments				
Long-term tax-exempt funds	\$ 46	\$ -	\$ -	\$ 46
Total stock market index funds	41	-	-	41
Tax managed funds	18	-	-	18
High yield funds	12	-	-	12
	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117</u>

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The table below sets forth a summary of changes in the fair value of the Level 3 investment assets for the years ended December 31, 2012 and 2011:

<i>(in millions of dollars)</i>	Government Debt Securities	Corporate Debt Securities	Partnerships and Joint Ventures	Real Estate	Hedge Funds	Total
Ending balances at December 31, 2010	\$ 2	\$ -	\$ 6	\$ 13	\$ 5	\$ 26
Actual return on plan assets						
Relating to assets still held at the reporting date	-	-	(1)	-	(1)	(2)
Relating to assets sold during the period	-	-	-	-	-	-
Purchases, issuances and settlements	-	-	-	-	-	-
Transfers in and/or out of Level 3	(1)	1	-	-	-	-
Ending balances at December 31, 2011	1	1	5	13	4	24
Actual return on plan assets						
Relating to assets still held at the reporting date	-	-	-	-	-	-
Relating to assets sold during the period	-	-	-	1	-	1
Purchases, issuances and settlements	(1)	(1)	(5)	(14)	-	(21)
Transfers in and/or out of Level 3	-	-	-	-	-	-
Ending balances at December 31, 2012	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4

Qualified pension plan and postretirement plan asset allocations as of December 31, 2012 and 2011 are as follows:

	Pension Plan Assets		Postretirement Plan Assets	
Asset category	2012	2011	2012	2011
Equity securities	20 %	20 %	25 %	50 %
Fixed income securities	80 %	76 %	75 %	50 %
Real estate	0 %	4 %	0 %	0 %
	100 %	100 %	100 %	100 %

The Company has developed guidelines for asset allocation of benefit plan assets. As of the December 31, 2012 and 2011 measurement dates, the range of target asset allocation percentages are as follows:

	2012			
	Pension Target Allocation		Postretirement Target Allocation	
Asset category	Minimum	Maximum	Minimum	Maximum
Equity securities	0 %	65 %	0 %	70 %
Fixed income securities	35 %	100 %	25 %	100 %
Real estate	0 %	12 %	0 %	0 %
Other	0 %	10 %	0 %	10 %

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

	2011			
	Pension		Postretirement	
	Target Allocation		Target Allocation	
Asset category	Minimum	Maximum	Minimum	Maximum
Equity securities	0 %	65 %	0 %	70 %
Fixed income securities	35 %	100 %	25 %	100 %
Real estate	0 %	12 %	0 %	0 %
Other	0 %	10 %	0 %	10 %

The investment program for the Trust is based on the precepts of capital market theory that are generally accepted and followed by institutional investors, who, by definition, are long-term oriented investors. This philosophy holds that:

- (1) Increasing risk is rewarded with compensating returns over time and therefore, prudent risk taking is justifiable for long-term investors.
- (2) Risk can be controlled through diversification of asset classes and investment approaches as well as diversification of individual securities.
- (3) Risk is reduced by time, and over time the relative performance of different asset classes is reasonably consistent. Over the long-term, equity investments have provided and should continue to provide superior returns over other security types. Fixed-income securities can dampen volatility and provide liquidity in periods of depressed economic activity. Lengthening duration of fixed income securities may reduce volatility.
- (4) The strategic or long-term allocation of assets among various asset classes is an important driver of long-term returns.
- (5) Relative performance of various asset classes is unpredictable in the short-term and attempts to shift tactically between asset classes are unlikely to be rewarded.

Investments will be made for the sole interest of the participants and beneficiaries of the programs participating in the Trust. Accordingly, the assets of the Trust shall be invested in accordance with these objectives:

- (1) To ensure assets are available to meet current and future obligations of the participating programs when due.
- (2) To earn the maximum return that can be realistically achieved in the markets over the long-term at a specified and controlled level of risk in order to minimize future contributions.
- (3) To invest assets with consideration of the liability characteristics in order to better align asset and liabilities.
- (4) To invest the assets with the care, skill, and diligence that a prudent person acting in a like capacity would undertake, with the further objective of controlling the costs involved with administering and managing the investments of the Trust.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The primary investment objective for the VEBA for postretirement assets is to generate returns over three to five year periods consistent with pension assets and other long-term postretirement employee benefit plans. The current long-term target asset mix is 25% equities and 75% fixed income. The VEBA plan objectives incorporate both long-term expectations for individual asset class returns and projected growth rates of employee benefit expenses. Actual investment results may deviate from expectations over shorter time periods. The VEBA plan is willing to tolerate short-term volatility of investment returns to achieve its long-term investment objectives. The impact of taxation on the VEBA plan is also considered.

The expected benefit payments for the Company's pension and postretirement plans for the years indicated are as follows:

<i>(in millions of dollars)</i>	Pension Benefits	Postretirement Benefits
Expected benefit payments		
2013	\$ 56	\$ 9
2014	53	7
2015	54	8
2016	54	8
2017	54	8
2018–2022	250	40
	<u>\$ 521</u>	<u>\$ 80</u>

The Company does not expect to make cash contributions in 2013 to the qualified pension plan or to the postretirement plan. Expected contributions are dependent on many variables, including the variability of the market value of the assets as compared to the obligation and other market or regulatory conditions. The Company takes into consideration its business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ from current estimates.

The Pension Protection Act established certain minimum funding standards for defined benefit plans and the Company is in compliance with these funding standards as of and for the years ended December 31, 2012 and 2011.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 allows employers who offer actuarially equivalent prescription drug benefits to retirees to receive a federal subsidy starting in 2006. The Company did not apply for these federal subsidies during 2011 or 2012 and does not expect to apply for them in 2013.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as "PPACA") had no effect on the postretirement health care plan liability as of December 31, 2012 and 2011 as the plan's benefits are limited to an annual subsidy.

The Company also provides certain postemployment benefits, such as disability coverage, to former or inactive employees during the time period following employment, but before retirement. The accrued liability for these benefits was \$15 and \$14 million as of December 31, 2012 and 2011, respectively.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The Company has two defined contribution savings plans under Section 401(k) of the Internal Revenue Code for eligible employees. For the years ended December 31, 2012 and 2011, the Company recorded expense for employer contributions of approximately \$30 and \$29 million, respectively.

The Company offers a nonqualified deferred compensation plan to a select group of participants to defer compensation within the meaning of Employee Retirement Income Security Act of 1974 Sections 201(2), 301(a)(3), and 401(a)(1). These assets are set aside in a Rabbi Trust to informally fund the plan. These assets, which are subject to the claims of the Company's creditors, are primarily invested in corporate owned life insurance, the cash surrender value of which is included in prepaid and other assets in the consolidated balance sheets.

7. Operating Leases

The Company leases certain office, retail and warehouse space, data processing and office equipment, and vehicles under noncancelable leases. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Rental expense for 2012 and 2011 was \$39 and \$30 million, respectively.

The following is a schedule of future minimum rental payments due under operating leases that have initial or remaining noncancelable lease terms in excess of one year:

<i>(in millions of dollars)</i>	Minimum Rental Commitments
Years Ending	
2013	\$ 27
2014	22
2015	17
2016	13
2017	9
Thereafter	48
	\$ 136

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

8. Income Taxes

The components of the Company's deferred income tax assets and liabilities at December 31, 2012 and 2011, respectively, are as follows:

<i>(in millions of dollars)</i>	2012	2011
Gross deferred tax assets		
Accrued expenses	\$ 132	\$ 158
Insurance reserves	277	273
Benefit plans	6	11
Asset basis step-up	29	29
Other	8	11
	<u>452</u>	<u>482</u>
Gross deferred tax liabilities		
Unrealized gains on investments	109	75
Fixed assets and software	23	25
Prepaid expenses	8	7
Deferred acquisition costs	25	22
Goodwill	30	26
Accrued income	2	40
Other	16	14
	<u>213</u>	<u>209</u>
Deferred income taxes	<u>\$ 239</u>	<u>\$ 273</u>

Reconciliation of the differences between income taxes computed at statutory federal rates and the consolidated provision for income taxes for 2012 and 2011 is as follows:

<i>(in millions of dollars)</i>	2012		2011	
	Amount	Rate	Amount	Rate
Income taxes computed at statutory federal tax rate	\$ 109	35.0 %	\$ 105	35.0 %
State tax provision, net of federal income tax benefit	8	2.6	11	3.5
Tax-exempt income	(32)	(10.1)	(42)	(14.3)
Joint venture	2	0.5	4	1.8
Nondeductible expenses	6	2.0	3	1.2
Provision for income taxes at effective tax rates	<u>\$ 93</u>	<u>30.0 %</u>	<u>\$ 81</u>	<u>27.2 %</u>

With the exception of affirmative claims filed by the Company, all outstanding issues have been settled with the Internal Revenue Service ("IRS") for the years prior to 2009. The IRS is currently examining the Company's federal income tax returns for the years 2009 and 2010. In the opinion of management, the Company has made adequate provision for income taxes that may become payable with respect to these years.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The Company prepared and submitted refund claims with the IRS related to years 2002 through 2010. These refund claims relate to the special deduction granted to Blue Cross and Blue Shield companies under Internal Revenue Code Section 833(b). Amounts related to these refund claims have not been recorded in the consolidated financial statements since the claims related to 2002-2008 remain at IRS Appeals and the claims related to 2009 and 2010 are currently being examined by the IRS. In total, these affirmative claims are valued at \$261 million.

As of December 31, 2012 and 2011, respectively, \$265 and \$215 million of unrecognized tax benefits, if recognized, would decrease the effective tax rate. The 2012 increase of \$50 million reflects the submission of the 2009 and 2010 Internal Revenue Code Section 833(b) refund claims. The 2011 increase of \$1 million from the December 31, 2010 amount of \$214 million reflects an additional year of interest. It is reasonably possible the total amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months for various reasons including resolution of Joint Committee review of an IRS Appeals settlement related to the refund claim issue. As a result, the amount of unrecognized tax benefits could range from \$4 million to \$874 million.

The Company recognizes interest and, if applicable, penalties which could be assessed related to unrecognized tax benefits in income tax expense. For the years ended December 31, 2012 and 2011, the Company accrued and recognized less than \$1 million in interest expense related to unrecognized tax benefits.

9. Statutory Reporting

The Plan and certain subsidiaries are domiciled in the state of Florida and are required to prepare statutory financial statements in accordance with the *National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the OIR, the basis for statutory accounting practices ("SAP"). These financial statements, which are subject to examination by the OIR, differ from GAAP under which the accompanying consolidated financial statements have been prepared. Significant differences resulting from these accounting practices include certain policy reserves recognized under statutory accounting, certain assets not recognized under SAP, as well as differences in the valuation of investments and amortization of goodwill. The Plan does not intend to recast or restate its 2011 statutory financial statements for the change in accounting methodology for reporting actuarial gains and losses for defined benefit pension plans.

Net income and surplus of the Plan on the basis of SAP as of and for the years ended December 31, 2012 and 2011 is as follows:

<i>(in millions of dollars)</i>	2012	2011
Statutory accounting practices		
Net income	\$ 159	\$ 204
Capital and surplus	2,790	2,609

The Plan is required by the OIR under consent order to maintain Statutory Capital and Surplus (excluding goodwill) of at least 10% of total liabilities (less taxes, expenses, and other obligations due or accrued) or \$231 and \$234 million as of December 31, 2012 and 2011, respectively. The

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

Plan's surplus at December 31, 2012 and 2011 exceeded this requirement by \$2,559 and \$2,375 million, respectively.

The Plan and certain subsidiaries are subject to Risk-Based Capital ("RBC") requirements as specified by the NAIC. Under those requirements, the amount of surplus maintained by an insurer is to be determined based on the amounts and types of risk inherent in the product mix, investment portfolio, and general business, underwriting and credit risk. As of December 31, 2012 and 2011, the Plan and those subsidiaries exceeded the RBC requirements.

10. Guarantees, Commitments and Contingencies

Guarantees

As a licensee of the Association, the Company participates in the Blue Card® program which may result in an obligation to providers within the Company's service area for certain covered services provided to members of other Blue Cross and/or Blue Shield organizations in the event the other Blue Cross and/or Blue Shield organization does not pay timely. Under the BlueCard® program, the Company is permitted to seek and promptly receive reimbursement from the other Blue Cross and/or Blue Shield organizations for all amounts paid for covered services provided on their behalf.

The Company has entered into agreements with certain self-funded groups, or Administrative Service Only ("ASO") customers, in which subcontractors make the claim payments. The Company has in turn guaranteed payment under the terms of the agreement with its subcontractors for claim payments made on behalf of the Company but not reimbursed by the ASO customer. In addition, the Company may be subject to the payment of related late fees. The Company or subcontractors hold deposits from certain of these ASO customers in order to mitigate such payment obligations. The Company believes its maximum exposure under such guarantees, net of deposit amounts held, was approximately \$35 and \$38 million at December 31, 2012 and 2011, respectively. The recorded fair value of such guarantees was less than \$1 million at both December 31, 2012 and 2011.

The Company has an agreement with a financial institution for the processing of claim payments for certain ASO customers. An account for each ASO customer is maintained at this financial institution in order to fund the ASO customer's claims. The customer is responsible for funding the account prior to the release of the claim payments made by the Company. The Company guarantees any claim check presented to and cleared by the financial institution in the event the ASO customer does not honor the check or fund the account. The Company believes the aggregate maximum exposure under this guarantee is \$3 and \$2 million at December 31, 2012 and 2011, respectively. The Company believes it has limited its exposure to this guarantee by performing credit verification of these customers and also by utilizing its right to suspend the payment of claims for ASO customers that have not adequately funded their account.

In accordance with Association guidelines, the Company is required to offer Blue branded coverage to the customers of LSVP's subsidiary, Florida Combined Life, Inc. ("FCL"), in the event FCL ceases operations. Based on the historical operating results of FCL, no liability was recorded for this guarantee as of December 31, 2012 or 2011.

In the ordinary course of business, the Company contracts with numerous parties, including, for example, physicians and other medical providers, vendors, and consultants, and enters into agreements for other services, which contain indemnification provisions or payment terms, including payments contingent upon quality of service and effective case management. While the

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

value of such guarantees, individually or in the aggregate are, in many instances, inherently impossible to predict, the Company does not believe these obligations will likely have a material impact on its financial position, results of operations or cash flows.

Commitments

During 2012, the Company made capital commitments to invest in three separately managed private equity funds. Of the total commitment of \$15 million, \$2 million was invested during 2012. These additional investments in the private equity funds will be made as required in the subscription agreements.

Government Programs

The Company, through its subsidiaries, provides services as a CMS Medicare Administrative Contractor under Medicare Parts A and B. The Company also serves as a Medicare Advantage organization and Medicare Prescription Drug Plan sponsor under Medicare Parts C and D. Additionally, the Company participates in FEP, through a nationwide contract with the U.S. Office of Personnel Management, to provide coverage to certain federal employees, retirees and dependents. The Company provides health insurance coverage to low income children through the state of Florida's Healthy Kids program. Reimbursement for administrative costs and medical expenditures and payment for services as applicable under these programs are subject to review and, as such, the Company is routinely audited by governmental entities and their respective agents for compliance with laws, regulations and program or contract terms and conditions.

Litigation

In the ordinary course of business, the Company is routinely involved in litigation with insured parties, beneficiaries, healthcare providers and others. Management has evaluated such exposures, including consultation with legal counsel, and believes that the Company's positions and defenses are meritorious. While there can be no assurance as to the outcome of such exposures, litigation is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Regulatory Environment

In March 2010, the President signed PPACA into law which considerably transforms the U.S. health care system and increases regulations within the U.S. health insurance industry. This legislation is intended to expand the availability of health insurance coverage. PPACA contains provisions that take effect from 2010 through 2018, with several important measures effective in 2014. The total impact of PPACA is still being determined through additional guidance and clarification provided by the Department of Health and Human Services, the Department of Labor, the Department of the Treasury, the OIR and the NAIC. As a result of this and other market factors, the full impact of PPACA will not be known for several years. Certain provisions of the new legislation are likely to have significant impacts on the Company's future operations, including fees assessed on companies in the insurance industry, potential rebates on certain insurance contracts and certain new taxes on high premium insurance policies.

PPACA is intended to expand the availability of health insurance coverage to millions of Americans by requiring that issuers of individual and group health insurance policies satisfy medical loss ratio ("MLR") requirements and have premium rate increases above a certain level subject to disclosure and review ("Rate Review"). The MLR regulations apply to insurers and will impact insured plans, but will not apply to self-funded plans. The MLR regulations require issuers to provide MLR rebates to employers and individuals purchasing insurance if the issuer does not spend a minimum amount of the premium on medical claims, as defined by such regulations and related guidance.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

Health insurance issuers are required to spend at least 80% of premium received from selling policies and plans in the individual and small employer markets and at least 85% of premiums for the large employer market (more than 50 employees) on a combination of medical care claims and activities to improve health care quality. In effect, the MLR provision limits the amount that insurers can spend on administrative expenses, overhead, profit, commissions, and other nonclaim expenses to 20% or 15% of the premium. MLR rebates to policyholders and enrollees are to be provided annually if the insurer fails to meet the MLR requirements in a market for the prior year. MLR rebate payments due for the 2011 reporting year were made in July 2012. If applicable, MLR rebate payments due for the 2012 reporting year will be paid by August 2013. Management's best estimate of the MLR rebate liability is included in unearned premiums and is recorded as a premium adjustment. The MLR liability was determined using a process which conforms to the guidance issued by Department of Health and Human Services and the OIR. As of December 31, 2012 and 2011, rebate reserves and premium adjustments totaled \$1 and \$55 million, respectively.

The Rate Review regulations subject insurance carrier rate increases to a higher level of review and visibility. The rate review process requires that health insurance issuers submit a justification for an "unreasonable premium increase." This process does not preempt any existing state laws or processes for review or approval of rates. Proposed rate increases that exceed a defined threshold will be subject to review. For 2011, the regulations set the threshold at 10%. Generally, in 2012 and in future years, state-specific thresholds based on the cost of health coverage insurance in the state will be developed. For 2012, a state-specific rate for Florida was not established, so the national threshold of 10% was applicable for the Company. If rate increases exceed the annual threshold, the insurer must provide detailed justification for the rate increase. The rate review process only applies to issuers in the individual and small group markets and does not apply to self-funded health plans.

11. Lines of Credit and Long-Term Debt

Lines of Credit

The Company has a revolving facility agreement with Bank of America. In April 2011, the Company renewed this revolving facility with a borrowing limit of \$50 million. In August 2011, the agreement was amended to reflect a re-negotiated floating rate of London Interbank Offered Rates ("LIBOR") plus 0.70% per annum. In September 2011, the agreement was again amended to increase the borrowing limit to \$100 million, change the floating rate to LIBOR plus 0.75% per annum, and revise the term to three years. In December 2012, the agreement was again amended to increase the borrowing limit to \$200 million and to identify the Plan and HOI as co-borrowers for the facility. The Company had borrowings outstanding on this facility at December 31, 2012 and 2011, of \$150 and \$90 million, respectively. The interest rates at December 31, 2012 and 2011 were 0.96% and 1.04%, respectively. Agreements governing borrowings include covenants, which serve to limit asset acquisitions and dispositions and any material changes in general lines of business. Commitment and facility fees are paid quarterly based on the unused and used portions of the facility.

In May 2012, the Company's controlled affiliate, CHP, entered into a revolving facility agreement with Hancock Bank with a borrowing limit of \$20 million. The agreement expires in April 2013 and has a floating rate of LIBOR plus 1.5% per annum, with a minimum rate of 2.25%. The Company had no borrowings outstanding on this facility at December 31, 2012. The interest rate at December 31, 2012 was 2.25%. Agreements governing borrowings include covenants, which serve to ensure liquidity and financial security of the borrower. Commitment and facility fees are paid monthly based on the unused and used portions of the facility.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

The interest and fees paid by the Company on the lines of credit in 2012 and 2011 were \$1 million and less than \$1 million, respectively.

Long-Term Debt

In 2001, the Company marketed \$150 million in surplus notes series pursuant to Rule 144A under the Securities Act of 1933, which was fully completed in 2002. The terms of the surplus notes included a ten-year maturity with a coupon rate of 8.25%, semi-annual interest payments scheduled on May 15th and November 15th, and principal due at maturity in November 2011. In November 2011, the \$150 million in surplus notes matured and were paid in full. Interest expense on the surplus notes was \$11 million during 2011.

The surplus notes were expressly subordinated in right of payment to all existing and future claims and senior indebtedness. They were also subject to provisions of the Liquidation Act whereby the holders of claims and senior indebtedness could be afforded greater priority under Section 631.271 of the Florida Statutes. Payments of interest and repayment of principal were subject to prior approval of the OIR.

12. Related Party Transactions

Under an agreement effective January 1, 2007, Prime became the Company's pharmacy benefits manager and as such, provides the Company with certain pharmacy benefit management services. The Company pays Prime administration fees which include a program management fee (retained by Prime out of the rebates) and other account service fees primarily related to Medicare Part D expenses. These service fees are billed monthly to the Company and are typically paid within 30 days. The total administration fees paid to Prime during 2012 and 2011 were \$18 and \$14 million, respectively. As of December 31, 2012 and 2011, the Company had a receivable for rebates from Prime of \$41 and \$29 million, respectively.

Availity is a joint venture created to optimize information exchange between multiple health care stakeholders through a single, secure gateway. The Company pays Availity for transaction fees on a per transaction basis for various electronic based transactions. Transactions are billed monthly to the Company and are typically paid within 30 days. The total fees paid to Availity during 2012 and 2011 were \$16 and \$15 million, respectively. The Company had a payable due to Availity of \$3 and \$1 million at December 31, 2012 and 2011, respectively.

NDES provides home health care benefits management services and sleep benefits management for managed care organizations and health benefit plans. New Directions provides and manages services for behavioral healthcare programs. Beginning in 2011, NDES and New Directions provided their respective services to the Company on a capitated and fee for service basis. In addition to these fees, NDES and New Directions may be rewarded or penalized for meeting or not meeting certain performance goals. The Company calculates and records performance bonuses or penalties on a quarterly basis which are typically paid or collected within 30 days of invoice. Capitation and fees for services are billed monthly to the Company and are typically paid within 30 days. The capitation and fees incurred for services provided by NDES and New Directions during 2012 were \$7 and \$14 million, respectively. The capitation and fees incurred for services provided by NDES and New Directions during 2011 were \$2 and \$1 million, respectively.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

13. Acquisitions

Effective December 31, 2012, DHS acquired DCMG by acquiring 100% of the outstanding stock of DCMG. Additional consideration of a minimum of \$0 and a maximum of \$26 million may be paid to the former shareholders depending on financial and other measures as detailed in the purchase agreement. No contingent consideration has been recorded in the consolidated financial statements for expected additional acquisition payments to the former shareholders. Other than the goodwill and intangibles disclosed in Note 1, the remaining assets and liabilities recorded in conjunction with this acquisition are immaterial to the consolidated financial statements. As the acquisition closed effective December 31, 2012, no revenues or expenses have been included in the consolidated financial statements for DCMG activity. The estimates utilized for accounting for the transaction as of December 31, 2012 which have been included in the consolidated financial statements may change as additional information becomes available throughout 2013. The acquisition will promote the implementation of certain value-based reimbursement models to meet the goals of improving quality of care and enhancing the member experience while also lowering the total costs of care.

Effective January 1, 2012, DSO acquired Highmark Medicare Services ("HMS") by acquiring 100% of the issued and outstanding stock of HMS. The name of the Company was changed to Novitas subsequent to the closing of the acquisition. Additional contingent consideration of \$21 million has been accrued as of December 31, 2012 to be paid to the seller based on provisions in the stock purchase agreement. No contingent consideration was paid during 2012. These contingent provisions included the award of certain contracts which were pending at the time of the acquisition. Novitas administers Medicare contracts in numerous states and the District of Columbia. During 2012, Novitas was awarded additional Medicare contracts which expanded its operations. Other than the goodwill and intangibles disclosed in Note 1, the remaining assets and liabilities recorded in conjunction with this acquisition are immaterial to the consolidated financial statements. The revenues and expenses of Novitas for the year ended December 31, 2012 have been included in the consolidated financial statements. The operations of Novitas are very similar to the operations of FCSO and significant benefit is expected from the integration of the acquisition. The combination of these two entities under DSO is expected to improve the quality of services provided and reduce the costs of providing those services.