

MEETING DATE	Wed, 13 May 2015 8:00 am	TYPE	AGM	ISSUE DATE	Wed, 13 May 2015
MEETING LOCATION	Indiana History Center, 450 West Ohio Street, Indianapolis, Indiana				
CURRENT INDICES	S&P500				
SECTOR	Hospital and medical service plans				

PROPOSALS		ADVICE
1a Elect Julie A. Hill	Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	Oppose
1b Elect Ramiro G. Peru	Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	Oppose
1c Elect John H. Short	Independent Non-Executive Director.	For
2 Appoint the auditors	Ernst & Young LLP proposed. Non-audit fees represented 6.26% of audit fees during the year under review and 4.63% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. However, the current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.	Oppose
3 Advisory vote on executive compensation	The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: CDB. As there is limited disclosure with regards to performance targets attached to the annual bonus and long-term incentives and the company grants restricted stock and stock options without performance conditions, Triodos opposes this resolution.	Oppose

4 Shareholder Resolution: Declassify the board

Abstain

Proposed by: John Chevedden

Shareholders ask that the Company take the steps necessary to reorganise the Board of Directors into one class with each director subject to election each year. The proponent argues that annual elections are widely viewed as a corporate governance best practice and could make directors more accountable, and thereby contribute to improved performance and increased company value. The proponent also states that the Company is unfortunately incorporated in Indiana which favors management rights and provides shareholders with a poor level of control. GMI Ratings, an independent investment research firm said Indiana law contains multiple provisions which protect management from hostile takeovers, further diminishing shareholder interests.

The Board opposes the proposal as owing to the Company's existing contractual obligations with the Blue Cross and Blue Shield Association (BCBSA), it is required to maintain a classified board structure. The Board makes no recommendation on this shareholder proposal because it has already adopted a policy to eliminate the Company's classified board structure if the BCBSA requirement for a classified board structure is eliminated or is otherwise no longer applicable to the Company. Under the BCBS Agreements, the Company must include in its Articles of Incorporation a requirement that its board be composed of three classes of directors with each class containing as close to one third of the total number of directors as possible and each class of directors serving a three-year term beginning in a year in which no other class' term begins. Failure to maintain this classified board structure would constitute a violation of the BCBS Agreements, which could result in the termination of the Blue Cross and Blue Shield licences. If the Company's Blue Cross and Blue Shield licences are terminated, the Company would no longer be permitted to sell Blue Cross and Blue Shield health insurance products and services. In addition, upon termination of the Blue Cross and Blue Shield licences, the BCBSA would have the right to impose a "Re-establishment Fee" upon the Company, which would be used, in part, to fund a replacement Blue Cross and/or Blue Shield licensee in the vacated service area. The fee is set at \$98.33 per licensed enrollee. As of December 31, 2014 the Company reported 28.6 million Blue Cross and/or Blue Shield enrollees. If the Re-establishment Fee was applied to the Company's total Blue Cross and/or Blue Shield enrollees as of December 31, 2014, it would be assessed approximately \$2.8 billion by the BCBSA.

Whilst generally Triodos would support the proponent's proposal requesting a declassification of the Board, in light of the considerable fees that the Company might incur should it not keep to the BCBS Agreements, Triodos abstains on this resolution.

5 Shareholder Resolution: Allow proxy access

Oppose

Proposed by: Harrington Investments, Inc.

The proponent requests that the Board amend the Company's By-Laws to grant shareholders a right to nominate board candidates as a fundamental principle of good corporate governance and board accountability. The amendment would enable shareholders to nominate director candidates subject to reasonable limitations, including a 3% / three year holding requirement for nominators, permitting nominators to nominate no more than 25% of the Company's directors, and providing that, in any election, candidates nominated by shareholders under this procedure can be elected to fill no more than 25% of the Board seats. The nominator may submit a statement not exceeding 500 words in support of the nominee. The proponent argues that the Company's present nomination process lags behind best practices for direct proxy access for shareholders and groups of shareholders and that there is presently little accountability to shareholders or our largest institutional investors, and the current process enables insulation from and lack of accountability to customers, clients, and other stakeholders. Updating the director nomination process to include listing of shareholder nominees in the proxy will be a step toward responsibly aligning Board representation with the plurality and diversity of ownership as well as with stakeholders and the society in which it operates.

The Board opposes the proposal on the basis that it is fundamentally flawed and is not in the best interests of shareholders at the Company. The proposal permits an excessive number of shareholder access candidates (60% of the Board over the Company's three-year election cycle), thereby allowing a control contest via the proxy access right. Adoption of this shareholder proposal would introduce significant risk of disruption to the Board and the Company. The Board argues that the proposal disregards the mechanisms it already has instituted to ensure Board accountability and provide shareholders with meaningful access to the Board. The Board is accountable to the Company's shareholders through protections that are embedded in its governing documents and corporate governance practices. Shareholders can already recommend prospective director candidates for the Governance Committee's consideration. The Company's Governance Committee evaluates and considers director nominees proposed by shareholders in the same manner as nominees recommended by a Board member, management, search firm or other source.

We would normally support such a resolution as an increase in shareholder democracy. However, this is an unusual situation. A 25% cap on directors being nominated would normally be a safeguard against a surreptitious takeover of control of the board, without the formalities of a takeover bid. In this case, however, the board is classified and commercially constrained from de-classifying itself as it has indicated it wishes to do. As this would mean that a particular interest group could gain control of the board in the three-year classified voting cycle, we cannot support the resolution. The resolution should preferably have been worded so that the board could comprise a maximum of 25% of directors nominated at any time by shareholders through the suggested process. As it stands, we recommend opposing the resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory vote on executive compensation

Disclosure: C - The Compensation Committee is not fully independent, which is a concern. There is limited disclosure with regards to performance targets attached to the annual bonus and long-term incentives.

Balance: D - Owing to the lack of financial disclosure in the Company's Proxy Statement, we cannot assess whether performance targets attached to the annual bonus and long-term incentives are considered to be challenging. The Company grants restricted stock units and stock options, which are both time-based (ie they have no performance conditions) and vest annually and bi-annually in the case of stock options.

Contract: B - Contracts do not define "good reason" appropriately. Disclosed severance and change in control awards have the potential to be excessive.

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