

Blue Cross and Blue Shield of Kansas City

Audit Committee Charter

Amended and Reaffirmed by the Board on April 27, 2016

PURPOSE

The Audit Committee derives its authority from the Bylaws of Blue Cross and Blue Shield of Kansas City (the “Corporation”), which provide “the primary responsibilities of the Audit Committee shall be to:

1. Meet periodically with the Corporation’s internal and independent auditors to discuss the fiscal integrity of accounts, the quality of financial administrative controls and financial and statutory reporting;
2. Directly appoint, retain, compensate, oversee, evaluate and terminate any public accounting firm retained as the Corporation’s auditor or retained to do other work on behalf of the Committee;
3. Meet with internal auditors and the Ethics & Compliance Officer on a regular basis and assist with Board oversight of the Corporation’s compliance with legal and regulatory requirements;
4. Assist with Board oversight of the Corporation’s Enterprise Risk Management process and key risks; and
5. Provide an open avenue of communication among the independent auditor, financial and senior management, the internal auditors, the Ethics & Compliance Office and the Board of Directors.”

AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Retain outside counsel, accountants or others without seeking Board approval to advise and assist the Audit Committee as it determines necessary to carry out its duties;
- Seek any information it requires from employees (all of whom are directed to cooperate with the Audit Committee’s requests) or external parties; and
- Meet with the Corporation’s officers, independent auditors or outside counsel, as necessary.

In addition, the Chairman of the Audit Committee is authorized to conduct preliminary fact-finding with respect to any reports, calls or anonymous tips, and if necessary to contact the Board of

Directors' outside legal counsel for assistance. Upon completion of such initial fact-finding, the Committee Chair will inform the Chairman of the Board and the Audit Committee of the results and whether the Committee Chair recommends that the Audit Committee approve further investigation of the matter.

COMPOSITION

The Audit Committee will consist of at least three members of the Board of Directors and shall not include the President and Chief Executive Officer. The Chairman of the Board shall be an ex-officio member of the Audit Committee. Members of the Audit Committee and its Chairman shall be appointed by the Chairman of the Board with ratification by the Board at the Annual Meeting. Each Audit Committee member must be Independent (as defined in the BCBSKC Corporate Governance Guidelines) and financially literate. At least one member shall have accounting or related financial management expertise. The specific qualifications and standards for Audit Committee members are specified in Exhibit A.

MEETINGS

The Audit Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. All Audit Committee members are expected to attend each meeting in person. Occasional participation via tele- or video-conference is permitted; however, due to the complexity and potential sensitivity of issues discussed, in-person attendance is expected. The Audit Committee will invite members of management, independent auditors, internal auditors or others to attend meetings and provide pertinent information as necessary. It will hold executive sessions with independent auditors and internal auditors. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The Audit Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Audit Committee will take appropriate actions to monitor the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior.

The following shall be the principal duties and responsibilities of the Audit Committee. These matters are set forth as a guide with the understanding that the Audit Committee may supplement them as appropriate. In addition to the responsibilities set forth below, the Audit Committee will provide oversight to ensure relevant areas of responsibility are carried out for the Corporation's subsidiaries. The Audit Committee may delegate specific responsibilities to the board of a subsidiary, provided such responsibilities are clearly documented and approved by the Corporation's Board of Directors and the board of such subsidiary.

1. Financial Statements/Critical Accounting Issues

- a) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements and understand their impact on the financial statements.

- b) Review with management and independent auditors: (i) the progress of the annual audit periodically and (ii) the results of that annual audit, including any difficulties encountered upon completion of the annual audit.
- c) Review with management and independent auditors the annual audited financial statements and consider whether they are complete, consistent with the knowledge of the Audit Committee and information given to the Audit Committee, and reflect appropriate accounting principles.
- d) Resolve any disagreements regarding financial reporting between management and the independent auditors.
- e) Review with management and independent auditors all matters required to be communicated to the Audit Committee under Generally Accepted Auditing Standards.
- f) Understand how management develops interim financial information, and the nature/extent of internal and independent auditor involvement.
- g) In discussions with management and the independent auditors, identify and assess the accounting policies of the Corporation which management, the independent auditors and the Audit Committee deem the most critical and which involve the most complex, subjective or ambiguous decisions or assessments. In connection therewith, (i) evaluate any significant change in the critical accounting policies or proposals for change in those policies that may have a significant impact on the financial statements; and (ii) evaluate the judgments and uncertainties affecting the application of the critical accounting policies, the impact of those policies on the financial statements, the effect changing conditions may have on the impact of those policies and the likelihood that materially different financial results would be reported under different conditions or using different assumptions.
- h) Discuss and review the appropriate release of financial information.

2. Internal Control

- a) Discuss with management and the independent auditor management's process for assessing the effectiveness of the Corporation's internal control over annual and interim financial reporting, including information technology security and control, and consider the effectiveness of such control.
- b) Understand the scope of internal and independent auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.
- c) Discuss with the independent auditor the characterization of deficiencies in internal control over financial reporting, and discuss with management any remediation plans to address internal control deficiencies. In connection therewith, determine that the disclosures describing any identified material weaknesses and management's remediation plans are clear and complete.

- d) Discuss with management, the internal auditors and the independent auditor (i) any changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting that are required to be disclosed and (ii) any other changes in internal control over financial reporting that were considered for disclosure.

3. Internal Audit

- a) There shall be a clear understanding that the internal auditors are ultimately accountable to the Audit Committee and the Board of Directors.
- b) Review with management and the director of internal audit the charter, plans, activities, staffing and organizational structure of the internal audit function.
- c) Ensure there are no unjustified restrictions or limitations; review and concur in the appointment, replacement or dismissal of the director of internal audit.
- d) Review the effectiveness of the internal audit function.
- e) On a regular basis, meet separately with the director of internal audit to discuss any matters that the Audit Committee or internal audit believes should be discussed privately.
- f) Review Executive Summaries of material reports issued by the internal audit department and assess the adequacy of same.
- g) Conduct the annual performance review of the director of internal audit.

4. Independent Audit

- a) The Audit Committee shall be solely and directly responsible for the appointment, compensation, termination and oversight of the independent auditors. The Audit Committee shall discharge its duties with respect to independent auditors in accordance with the following provisions and the guidelines set forth in Exhibit B.
- b) There shall be a clear understanding with management and the independent auditors that the independent auditors report directly to and are ultimately accountable to the Audit Committee and the Board of Directors.
- c) Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with internal audit. The annual Audit Engagement Letter shall be signed by both management and the Audit Committee.
- d) Annually review the performance of the independent auditors.
- e) At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the firm or by any inquiry or investigation

by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out by the firm and any steps taken to deal with any such issues.

- f) Review and confirm the independence of the independent auditors by obtaining annual statements from the auditors on relationships between the auditors and the Corporation, including non-audit services, and discussing the relationships with the auditors.
- g) On a regular basis, meet separately with the independent auditors to discuss any matters that the Audit Committee or auditors believe should be discussed privately.
- h) Review with the independent auditor any problems or difficulties the auditor may have encountered in the course of the audit, including any restrictions on the scope of activities and access to information or any disagreements with management and management's response.
- i) Approve the fees to be paid to the independent auditors for audit services.
- j) Approve the retention of the independent auditor for any non-audit services and the fee for such services, as more fully described in Exhibit B.

5. Compliance

- a) Review the Corporation's (i) compliance and ethics programs, including legal and regulatory requirements, and (ii) code of conduct and programs that management has established to monitor compliance with such code.
- b) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- c) Review the findings of any examinations by regulatory agencies and any auditor observations.
- d) Review the process for communicating the code of conduct to the Corporation's personnel and for monitoring compliance therewith.
- e) Obtain regular updates from management, the Corporation's legal counsel and the Corporation's compliance officer regarding compliance matters.
- f) Management is directed to establish an internal "Hot Line" resource to the Audit Committee as an additional avenue of complaint disclosure and to ensure the availability of this resource is suitably published to the employees.
- g) Management is further directed and admonished to ensure the "no retaliation" requirements specified in certain "whistle blower" laws is strictly adhered to.
- h) The Audit Committee is empowered to investigate and dispose of reported compliance matters as it deems appropriate.

- i) In matters of compliance, the Audit Committee members are specifically reminded of the duty to maintain anonymity of complaint source.

6. Enterprise Risk Management

- a) Provide oversight for the establishment and ongoing development of Enterprise Risk Management processes to identify and manage key business risks across the Corporation, including the risk of fraud and information and technology security risks.
- b) Review reports from management regarding the Corporation's portfolio of key business risks and associated risk management activities.
- c) Discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- d) Review with senior management the Corporation's overall antifraud programs and controls.
- e) Review and discuss with management the Corporation's privacy and security risk exposures and management's programs to monitor, assess and manage such exposures.

7. Reporting Responsibilities

- a) Regularly report to the Board of Directors about Audit Committee activities, issues and related recommendations.
- b) Provide an open avenue of communication between the independent auditors, internal audit, the Ethics & Compliance Office and the Board of Directors.
- c) Review any other reports the Corporation issues that relate to Audit Committee responsibilities.

8. Other Responsibilities

- a) Perform other activities related to this charter as requested by the Board of Directors.
- b) Through management and the independent auditors, stay informed on emerging issues that may apply to the financial disclosures and to the critical accounting policies of the Corporation.
- c) Review with management any correspondence with regulators of governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
- d) Review with the Corporation's General Counsel: (i) legal matters that may have a material impact on the Corporation's financial statements, accounting policies and compliance

policies; and (ii) any material reports or inquiries received from regulators or governmental agencies.

- e) Institute and oversee special investigations as needed.
- f) Review and assess the adequacy of the Audit Committee charter annually, requesting Board approval for proposed changes.
- g) Confirm annually that all responsibilities outlined in this Charter have been carried out.
- h) Evaluate the Audit Committee's performance on an annual basis.
- i) Establish the Corporation's hiring policies for employees or former employees of the independent auditors.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.

Revision History

Adopted by the Board on September 11, 2002
Amended by the Board on November 13, 2002
Amended by the Board on May 12, 2004
Amended by the Board on April 26, 2005
Reaffirmed by the Board on May 18, 2005
Amended by the Audit Committee on April 25, 2006
Reaffirmed by the Board on May 17, 2006
Amended by the Audit Committee on April 18, 2007
Amended and Reaffirmed by the Board on May 16, 2007
Reaffirmed by the Board on May 14, 2008
Amended by the Board on May 13, 2009
Amended and Reaffirmed by the Board on May 12, 2010
Amended and Reaffirmed by the Board on May 22, 2012
Amended and Reaffirmed by the Board on May 22, 2013
Amended and Reaffirmed by the Board on May 13, 2014
Amended and Reaffirmed by the Board on April 30, 2015

Exhibit A

Audit Committee Qualifications and Compensation Policy

Amended and Reaffirmed by the Board on April 27, 2016

The following qualifications and standards shall apply to members of the Blue Cross and Blue Shield of Kansas City (“the Corporation”) Audit Committee:

1. Independence

All members of the Audit Committee must be Independent Directors, as defined in the Corporate Governance Guidelines. In addition, members of the Audit Committee may not, other than in their capacity as a member of the Audit Committee, the Board of Directors, or any other board committee:

- a) Accept any consulting, advisory or other compensatory fee from the Corporation; or
- b) Be an affiliated person of the Corporation or any subsidiary. (An “affiliated person” is a person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Corporation.)

2. Financial Expertise

Each member of the Audit Committee must be financially literate; as such qualification is interpreted by the Board of Directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. In addition, at least one member of the Audit Committee must have accounting or related financial management expertise, as the Board of Directors interprets such qualification in its business judgment. In making such a determination, the Board shall consider whether a person has the following attributes:

- a) An understanding of generally accepted accounting principles and financial statements;
- b) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- c) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the company’s financial statements, or experience actively supervising one of more persons engaged in such activities;
- d) An understanding of internal control over financial reporting; and
- e) An understanding of Audit Committee functions;

A person shall have acquired such attributes through:

- a) Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- b) Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- c) Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- d) Other relevant experience.

3. Service on Other Committees

Because of the Audit Committee's demanding role and responsibilities, and the time commitment attendant to committee membership, each prospective Audit Committee member should evaluate carefully the existing demands on his or her time before accepting this important assignment.

If an Audit Committee member simultaneously serves on the audit committees of more than three non-charitable organizations, and the Corporation does not limit the number of audit committees on which its Audit Committee members serve, then in each case, the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee.

4. Compensation

Director's fees are the only compensation an Audit Committee member may receive from the Corporation.

An Audit Committee member may receive his or her director's fee in cash or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive.

Disallowed compensation for an Audit Committee member includes fees paid directly or indirectly for services to the Corporation as a consultant or a legal or financial advisor, regardless of the amount. Disallowed compensation also includes compensation paid to such a director's firm for such consulting or advisory services even if the director is not the actual service provider. Disallowed compensation is not intended to include ordinary compensation paid in another customer or supplier or other business relationship that the Board has already determined to be immaterial for purposes of its basic director independence analysis.

Revision History – Exhibit A

Approved by the Board of Directors on May 12, 2004

Amended by the Board on May 16, 2007

Amended and Reaffirmed by the Board on May 13, 2014

Exhibit B

Independent Auditor Policy

Amended and Reaffirmed by the Board of Directors on April 27, 2016

The Audit Committee shall discharge its duties with regards to independent auditors in accordance with the Audit Committee Charter and the following guidelines, as well as any others it may adopt from time to time.

1. Selection of Audit Firm:

The Audit Committee shall comply with the following additional criteria when selecting an audit firm as the independent auditor:

- a. Registered Firms: The Audit Committee shall only retain firms that are registered with the Public Company Accounting Oversight Board.
- b. Audit Partner Rotation: The Audit Committee shall not obtain audit services from a firm if the partner or other person responsible for rendering a report has acted in such capacity for BCBSKC for more than five (5) consecutive years. Such an individual shall be disqualified from acting in that or a similar capacity for the Corporation for a period of five (5) years.
- c. Former Firm Employees or Partners: The Audit Committee shall not obtain audit services from a firm if a BCBSKC director, chief executive officer, chief financial officer, controller, chief accounting officer, general counsel, director of internal audit, director of financial reporting (or any person serving in an equivalent position for the Corporation or any person they organizationally report to) was employed by, or was a partner of, that accounting firm and participated in any capacity in the audit of the Corporation during the one-year period preceding the date of the initiation of the audit.

2. Pre-Approval of Services:

The Audit Committee shall pre-approve all audit services (including letters in connection with statutory audits required for insurance companies for purposes of state law) and, except as provided below, permissible non-audit services provided by the Corporation's independent auditor, to assure that they do not impair the auditor's independence. When considering whether to grant an approval, the Audit Committee should consider the nature, scope and fees of the service to be provided.

- a. Audit Services: There are two options for pre-approval of audit services:
 - i. Specific Pre-Approval: Recurring and non-recurring services for which fees are expected to be \$50,000 or greater must be specifically pre-approved by the Audit Committee. Examples of recurring services include:
 - GAAP and statutory financial statement audits
 - Actuarial certifications

- SOC 1
- SOC 2
- Tax return review
- National Retirement Plan (NRP) procedures

The fees paid to-date for services provided to the Corporation under a specific pre-approval shall be reported at each regularly scheduled Audit Committee meeting.

If services are being performed under a specific pre-approval, and related fees are expected to exceed those previously approved by the Audit Committee, the revised fees must be specifically pre-approved by the Audit Committee.

- ii. General Pre-Approval: Recurring and non-recurring services for which fees are expected to be less than \$5,000 may be pre-approved on a categorical basis. The proposed services must be sufficiently detailed to enable the Audit Committee to assess potential impact to the auditor's independence.

The specific nature and fees related to services provided to the Corporation under a general pre-approval shall be reported at the next regularly scheduled Audit Committee meeting.

If services are being performed under a general pre-approval, and related fees are subsequently expected to exceed \$5,000 (e.g., due to change in desired scope of services), the revised fees must be specifically pre-approved by the Audit Committee.

b. Non-Audit Services:

- i. Pre-Approval: Except for the "de minimis" exception set forth below, all non-audit services must be pre-approved by the Audit Committee. Generally, non-audit services must be pre-approved on the same terms and conditions as set forth in 2.a. above with respect to audit services (i.e., either specific or general); provided, that the Audit Committee Chairman is authorized to pre-approve non-audit services up to \$50,000 and shall report such items at the next regularly-scheduled Audit Committee meeting.
- ii. De Minimis Exception: The Audit Committee may waive the pre-approval requirement with respect to non-audit services if each of the following criteria is met:
 1. The aggregate amount of all such non-audit services constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its auditor during the fiscal year in which the non-audit services are provided;
 2. Such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and

3. Such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee to whom authority to grant such approvals has been delegated by the Audit Committee.

Note that use of the De Minimis Exception is expected to be very rare, as item “B” above would only apply in cases where management inadvertently engages the independent audit firm to perform non-audit services without pre-approval.

5. Prohibited Services:

The following non-audit services may not be obtained from the Corporation’s independent auditor:

- a. Bookkeeping or other services related to the Corporation’s accounting records or financial statements;
- b. Financial information systems design and implementation;
- c. Appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- d. Actuarial services involving the determination of amounts recorded in the Corporation’s financial statements. The audit firm may provide other actuarial services including, but not limited to, actuarial opinions, accounting conversion projects, financial modeling and measurement, risk exposure determinations, asset liability management, pricing and reserve analysis;
- e. Internal audit outsourcing services;
- f. Management functions or human resources services;
- g. Broker or dealer, investment adviser, or investment banking services;
- h. Legal services and expert services unrelated to the audit; and
- i. Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

6. Required Reports:

Each public accounting firm that performs any audit shall timely report to the Audit Committee:

- a. All critical accounting policies and practices to be used;
- b. All alternative treatments of financial information within generally accepted (or statutory, as applicable) accounting principles that have been discussed with the

Corporation's management, ramifications of the use of such alternative disclosure and treatments, and the treatment preferred by the registered public accounting firm; and

- c. Other material written communications between the registered public accounting firm and the Corporation's management, such as any management letter, client representation letter or schedule of unadjusted differences.

7. Periodic Review and Rotation of Audit Firm:

In addition to evaluating the current accounting firm at least annually, the Audit Committee shall also conduct a review of the audit firm in the following situations:

- a. Periodic Thorough Evaluation: The Audit Committee shall perform a thorough evaluation and review of the audit firm at least every five (5) to seven (7) years. The Audit Committee may decide to consider other public accounting firms as part of this evaluation and review.
- b. Audit Firm Rotation: The Audit Committee should also consider changing audit firms when there is a confluence of circumstances that could put into question the audit firm's independence. The Audit Committee should consider rotating audit firms in the following circumstances: (i) the audit firm has been employed by the Corporation for a substantial period of time; (ii) one or more former partners or senior managers of the audit firm are employed by the Corporation; or (iii) significant non-audit services are provided to the Corporation – even if they have been approved by the Audit Committee.

Revision History – Exhibit B

Approved by the Board of Directors on May 12, 2004

Amended by the Board on May 16, 2007

Amended and Reaffirmed by the Board on May 22, 2013

Amended and Reaffirmed by the Board on May 13, 2014