

**MID ATLANTIC MEDICAL SERVICES, INC.  
COMPENSATION & STOCK OPTION COMMITTEE CHARTER**

**Adopted by the Board of Directors  
October 25, 2002**

**Purpose**

The Compensation & Stock Option Committee is appointed by the Board to discharge the Board's responsibilities relating to compensation of the Company's directors and officers. The Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Company.

The Compensation & Stock Option Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company's proxy statement.

**Committee Membership**

The Compensation & Stock Option Committee shall consist of no fewer than three members. The members of the Compensation & Stock Option Committee shall meet the independence requirements of the New York Stock Exchange and the independence standards set forth in the Company's Corporate Governance Guidelines.

The members of the Compensation & Stock Option Committee shall be appointed by the Board and may be replaced by the Board.

**Committee Authority and Responsibility**

1. The Compensation & Stock Option Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, Chairman, CEO or senior executive compensation at the Company's expense and without prior approval and shall have sole authority to approve the consultant's fees and other retention terms. The Compensation & Stock Option Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors at the Company's expense and without prior approval.
2. The Compensation & Stock Option Committee shall annually review and approve corporate goals and objectives relevant to Chairman and CEO compensation, evaluate the Chairman and CEO's performance in light of those goals and objectives, and recommend to the Board the Chairman and CEO's compensation levels based on this evaluation. In determining the long-term incentive component of the Chairman and CEO compensation, the Compensation & Stock Option Committee will consider the Company's performance and relative shareholder return, the value of similar incentives awards to Chairmen and

CEOs at comparable companies, and the award given to the Chairman and CEO in past years.

3. The Compensation & Stock Option Committee shall annually review and make recommendations to the Board with respect to the compensation of all officers and other key executives, including incentive-compensation plans and equity-based plans.
4. The Compensation & Stock Option Committee shall make recommendations to the Board regarding the form and amount of director compensation. The Compensation & Stock Option Committee shall consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organization with which a director is affiliated, or if the Company enters into consulting contracts (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.
5. The Compensation & Stock Option Committee shall consult with management regarding, and annually review and approve, for the Chairman, CEO, and the senior executives of the Company, (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits.
6. The Compensation & Stock Option Committee may form and delegate authority to subcommittees when appropriate.
7. The Compensation & Stock Option Committee shall make regular reports to the Board as necessary.
8. The Compensation & Stock Option Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Compensation & Stock Option Committee shall review its own performance annually.