

State of Idaho

Department of State

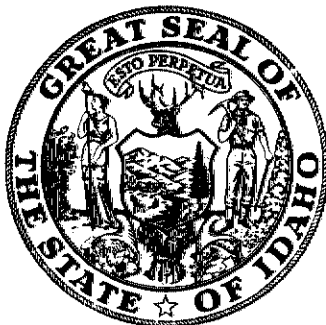
CERTIFICATE OF AMENDMENT OF

BLUE CROSS OF IDAHO HEALTH SERVICE, INC.
File Number C 57335

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of Articles of Amendment to the Articles of Incorporation of BLUE CROSS OF IDAHO HEALTH SERVICE, INC. duly signed and verified pursuant to the provisions of the Idaho Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Amendment to the Articles of Incorporation and attach hereto a duplicate original of the Articles of Amendment.

Dated: December 27, 1994



Pete T. Cenarrusa
SECRETARY OF STATE

By *Louisa Arnold*

SEC. OF STATE

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**ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
BLUE CROSS OF IDAHO HEALTH SERVICE, INC.**

Preamble

Pursuant to the provisions of Section 41-2854A of the Idaho Code, Blue Cross of Idaho Health Service, Inc. (the "Corporation" or, sometimes, the "corporation", as the context indicates or requires) has adopted the following Articles of Amendment to its Articles of Incorporation for the following reasons:

A. The Second Regular Session of the Fifty-second Idaho Legislature enacted Senate Bill No. 1443 (the "Act") relating to the mutualization of service corporations such as the Corporation, which Act was duly signed into law March 10, 1994, by Governor Cecil D. Andrus.

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B. The Act requires the Corporation to file with the director of the department of insurance (the "Director") a plan of mutualization (the "Plan") providing for the matters set forth in section 41-2854A, Idaho Code, which include, among other things,

(1) the filing with the Director of articles of amendment to articles of incorporation (these "Articles of Amendment"),

(2) an effective date for the Plan (which "Effective Date" is set in the Plan and is January 1, 1995), and

(3) a "Transition Period" beginning the Effective Date and ending the "transition period termination date" (being a date not later than the first anniversary of the Effective Date to be specified in the Plan, which the Corporation has set in its Plan as January 1, 1995; in its Plan, the Corporation has also identified the Transition Period as all of calendar year 1995 and through 12:01 a.m., January 1, 1996), during which Transition Period the Corporation is authorized to take such actions as its Board of Directors (the "Board"), in the exercise of its discretion and fulfillment of its duties, deems necessary, convenient or prudent to implement the Plan, including but not limited to those taken pursuant to the "Transition Provisions" expressly so identified in Part I, below, which Transition Provisions shall expire at the end of the Transition Period without further action or filing by the Corporation.

C. To implement the Plan and consistent with it, these Articles of Amendment are organized under two (2) principal Parts: I. Transition Provisions; and II. Post-Transition Provisions - Amended and Restated Articles of Incorporation. The Transition Provisions consist of (A) the Corporation's existing Articles of Incorporation, which are and shall continue to be in effect through the end of the Transition Period, and thereafter shall be deemed repealed without further action or notice, and (B) the Other Transition Provisions, which shall be effective only during the Transition Period, and thereafter shall be deemed repealed without further action or notice.

Now, therefore, in consideration of the foregoing premises, the Corporation's Articles of Incorporation are hereby amended to read in their entirety as follows, effective for the periods designated:

[Remainder of page intentionally left blank.]

Part I: Transition Provisions

A. Existing Articles of Incorporation.

Effective since 12:00 midnight, December 31, 1977, and continuously thereafter, through and including the end of the Transition Period, to wit, to 12:01 a.m., January 1, 1996.

The Corporation's existing Articles of Incorporation are on file with the Director of the Idaho Department of Insurance and are incorporated by this reference as if set forth in full herein (sometimes hereinafter referred to as the "Existing Articles of Incorporation").

B. Other Transition Provisions.

Effective during the Transition Period only, to wit, all of calendar year 1995, and to 12:01 a.m., January 1, 1996.

1. **Corporate Members' and Policyholders' Votes.** During the Transition Period, any vote of the corporate members (referring to participant hospitals and participant physicians, who for convenience in this Part I B. are identified collectively as the "Chapter 34 members") and policyholders shall be conducted and tabulated in the following manner:

(a) Notice of any meeting to be held during the Transition Period at which a vote is to be taken or business conducted shall be given to the policyholders of record on the record date determined by the Board of Directors in accordance with the Corporation's Bylaws in effect on the record date, provided, however, a record date selected by the Board shall not be more than seventy (70) days before the meeting at which the vote is scheduled to be taken or business to be conducted, or the date of the proposed action requiring a determination of the policyholders.

(b) Notice of any meeting to be held during the Transition Period at which a vote is to be taken or business conducted shall be given to all Chapter 34 members in good standing on the same record date in the manner provided by or consistent with the Corporation's Articles of Incorporation and Bylaws in effect on said record date, and any applicable provision of Chapter 34, Title 41, Idaho Code.

(c) With respect to any such vote, the Chapter 34 members shall have a maximum possible number of two hundred (200) votes (100 being the maximum possible number of votes to be cast by participant hospitals and 100 being the maximum possible number of votes to be cast by participant physicians as specified in Article V, section 3, of the Corporation's Existing Articles of Incorporation), such votes to be divided among the Chapter 34 members as provided in said Article V, section 3.

(d) With respect to any such vote, the policyholders on the record date determined in the manner specified above shall be entitled to a maximum possible number of votes determined as of the record date pursuant to the following ratio:

X is to 200 as Y is to Z,

in which

X = the policyholders' maximum possible number of votes,

Y = the number of policies in force on the record date, and

Z = the number of underwritten group and individual subscriber contracts in force on the record date.

The maximum possible number of policyholders' votes, X, shall be divided equally among the policyholders on the record date, whether or not voting in person or by proxy with respect to each matter put to a vote, and each policyholder voting in person or by proxy shall be entitled to cast a prorata vote so calculated, subject to the following additional statutory adjustment, if applicable.

Idaho Code § 41-2834 specifies that "Each member of a mutual insurer [that is, each policyholder under Chapter 28 of Title 41, Idaho Code, as distinguished from a Chapter 34 member] is entitled to one (1) vote upon each matter coming to a vote at meetings of members." Accordingly, if pursuant to the formula set forth above the allocation of votes among policyholder members results in each policyholder being entitled to cast more or less than one (1) vote (the "Unadjusted Policyholder Vote"), the vote of each policyholder and of each Chapter 34 member shall be further adjusted by multiplying each Unadjusted Policyholder Vote and each Chapter 34 member's unadjusted vote by the fraction or integer that yields one (1) when multiplied by the Unadjusted Policyholder Vote. Any adjustment pursuant to this paragraph that increases "X" shall be made notwithstanding its definition in terms of a maximum number.

2. Additional Powers, Purposes and Objects. In addition to the other powers, purposes and objects of the Corporation described in this Part I, the Corporation shall also have all the powers, purposes and objects specified in Part II hereof, together with any others permitted by applicable law; provided, however:

(a) the Corporation shall always be and conduct its operations as a nonprofit corporation; and

(b) the Corporation shall never make, nor will it suffer or permit any officer, director, employee or agent acting in its behalf to make, any ultimate disposition of its assets in contravention of Article V, section 1, of its Existing Articles of Incorporation, or in contravention of the corresponding provision of its Amended and Restated Articles of Incorporation, as set forth in Part II, below, nor will it suffer or permit the filing of any

further amendments to its Existing Articles of Incorporation or these Articles of Amendment to Articles of Incorporation that would defeat such provisions or otherwise permit, directly or indirectly, any such disposition of its assets.

3. Construction against restrictions and limitations on powers. The powers, purposes and objects expressed and granted by these Articles are to be construed as broadly as possible consistent with applicable law, so that, during the Transition Period, the Corporation will have all the powers of a nonprofit corporation existing under Chapter 34, as well as those of a nonprofit corporation existing under Chapter 28, Title 41, Idaho Code, in addition to powers conferred by or arising under the Act. During and after the Transition Period, the Corporation shall continue to have all the powers of a nonprofit corporation existing under Chapter 28, Title 41, Idaho Code, in addition to those conferred by or arising under the Act, including but not limited to those derived from the Corporation having been organized under said Chapter 34 and also having operated a health maintenance organization immediately prior to the Effective Date of its Plan, which it shall continue to have the power to operate thereafter.

[Remainder of page intentionally left blank.]

Part II: Post-Transition Provisions

Effective from and after 12:01 a.m., January 1, 1996.

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF

BLUE CROSS OF IDAHO HEALTH SERVICE, INC.

Pursuant to sections 41-2854A and 30-3-94, Idaho Code, the Board of Directors of Blue Cross of Idaho Health Service, Inc., has amended and restated the Corporation's Articles of Incorporation as set forth in full below, effective from and after 12:01 a.m., January 1, 1996. By virtue of section 41-2854A(4), Idaho Code, no member's or policyholder's approval of these amended and restated Articles of Incorporation is required.

I

The name of this Corporation is and shall continue to be Blue Cross of Idaho Health Service, Inc.

II

This Corporation is a nonprofit corporation, initially formed under Chapter 34, Title 41, Idaho Code, as a service corporation, subsequently converted to a nonprofit mutual insurer under Chapter 28, Title 41, Idaho Code, pursuant to the act relating to the mutualization of service corporations organized or existing under Chapter 34, Title 41, Idaho Code, enacted as Senate Bill No. 1443 by the Second Regular Session of the Fifty-second Legislature of the state of Idaho (the "Act"), signed into law March 10, 1994, by Governor Cecil D. Andrus.

III

The term for which this Corporation shall exist shall be perpetual.

IV

The location and post office address of the registered office of this Corporation shall be 1501 Federal Way, Boise, Ada County, Idaho.

V

The objects and purposes for which this Corporation is formed shall be and are:

- (1) To establish, maintain and operate a nonprofit mutual insurance company and health maintenance organization under Title 41 of the Idaho Code, and other like entities and organizations, and to do all things necessary, proper or convenient for the purpose of promoting, establishing and operating the same.
- (2) To transact any one or more of the following lines or kinds of insurance for which the Corporation is or becomes qualified and for which it holds a certificate of authority (or equivalent or is otherwise authorized by law or applicable order of a court of competent jurisdiction), issued by the Director of the Idaho Department of Insurance, or the corresponding official or authority of any other applicable jurisdiction: life, disability, life and disability, property, general casualty, marine and transportation, vehicle, surety, deposit, mortgage guaranty, reinsurance, and any other kind or line of insurance a qualified mutual insurer may legally transact in Idaho or any other jurisdiction in which the Corporation is qualified to do business or transact insurance.
- (3) To transact insurance in the state of Idaho or wherever else the Corporation may from time to time be qualified to do business or transact insurance; to write assessable and non-assessable policies, contracts, and in any and all other legal ways to effect insurance upon the lives or health of persons, and every assurance pertaining thereto; to serve as a third party administrator under Chapter 9 of Title 41, Idaho Code, or other applicable law; to grant, purchase or dispose of annuities and endowments; to write assessable and non-assessable policies, contracts and in any and all legal ways to effect insurance against bodily injury or death by accident or accidental means, additional benefits in the event of the insured's disability and to write disability insurance; to reinsure all or any portion of its risks with another company or companies, to accept reinsurance from other companies and to reinsure the risk of others.
- (4) To receive from any and all available sources funds for corporate purposes.

(5) To acquire and hold title, legal or equitable, to property of any and all kinds for any purpose incidental to its powers or not otherwise prohibited by law (including without limiting the generality of the foregoing, for investment purposes), and to sell, encumber, dispose of or otherwise transfer (for or without consideration) any such property, real or personal.

(6) To associate and contract with other persons, associations, organizations or corporations, joint ventures, general or limited partnerships, and other forms of legal entities for any purpose that is not prohibited by law.

(7) Pursuant to Idaho Code section 41-2854A(8), to continue to operate a health maintenance organization in the manner therein provided for so long as and to the extent the Board of Directors in its sole discretion may determine to continue such operation.

(8) To enter into such contracts and to incur such obligations as are consistent with its powers, objects, and purposes, or that is not otherwise prohibited by law; provided, however, the private property of the officers, directors, and policyholders of the Corporation shall be exempt from the debts of the Corporation, and no officer, director, or policyholder shall be individually or collectively liable or responsible for any debts or liabilities of the Corporation (except that a policyholder shall have liability for the legal assessments, if any, upon such policyholder's policy, if the Corporation should secure authorization to write, and pursuant to such authorization, does write assessable insurance and issue such a policy to such a policyholder upon such policyholder's application therefor).

(9) The Board of Directors may from time to time declare, apportion, and pay or credit to the Corporation's policyholders dividends as authorized by Title 41, Idaho Code, or other applicable rule, statute or administrative or judicial order, and as consistent with the Corporation's Bylaws and any board dividend policies or guidelines in effect from time to time.

(10) In the event of dissolution of the Corporation, should there remain assets following the payment of all liabilities of the Corporation, then, in that event, the Board of Directors shall for the purpose of furthering medical research distribute said assets to a nonprofit, charitable hospital or medical research organization approved by the policyholders.

(11) It is the intention of the Directors approving these Amended and Restated Articles of Incorporation that the foregoing clauses shall be construed both as objects and powers, and the foregoing enumeration of specific objects and powers shall not be construed to limit or restrict in any manner the powers of this Corporation, but said Corporation shall have the power to do all and everything necessary, suitable, convenient or proper for the accomplishment of its purposes, for the attainment of any one or more of its objects hereinabove enumerated, or incidental to the purposes and objects herein named, and which are permitted under the laws of the state of Idaho under which this Corporation is

organized, to the same extent and as fully as a natural person or any other form of legal entity might or could do.

The powers, purposes and objects expressed and granted by these Articles are to be contrued as broadly as possible consistent with applicable law, so that the Corporation shall continue to have all the powers of a nonprofit corporation existing under Chapter 28, Title 41, Idaho Code, in addition to those arising from the Act, including but not limited to those derived from the Corporation having been organized under Chapter 34, Title 41, Idaho Code, and also having operated a health maintenance organization immediately prior to the Effective Date of its Plan of Mutualization adopted and filed pursuant to the Act with the Director of the Idaho Department of Insurance.

VI

The governing body of this Corporation shall be, and its operations shall be managed and conducted by, a Board of Directors of no fewer than five (5) nor more than twenty-five (25) persons, the exact number, qualifications and terms of persons to serve on such Board to be specified in the Bylaws; provided the same shall be consistent with the provisions of section 41-2835(5), Idaho Code.

The Board of Directors of this Corporation may meet and transact the business hereof either at the principal place of business herein designated, or at such other place as may be designated by resolution of the Board of Directors or by the chairman of the Board.

VII

The Bylaws of this Corporation may be amended or repealed and new bylaws adopted at any annual meeting, or at any special meeting of the policyholders called for that purpose, or by a two-thirds ($\frac{2}{3}$) majority vote of the Directors at a meeting at which a quorum is present; provided the notice of any meeting at which such action is proposed to be taken states that the purpose or a purpose thereof is to consider one or more amendments to or the repeal of existing bylaws and the adoption of new bylaws and the proposed wording for each amendment or the new bylaws proposed for adoption shall be included with such notice; and further provided that the Board of Directors shall not make or alter any bylaws fixing the qualifications, classification or term of office of the members of such Board.

VIII

This Corporation is formed without capital stock. Each policyholder (the person to whom a policy of insurance is issued) shall be a member of the Corporation while such policy is in force; provided, however, the term policyholder shall not include the holder of a reinsurance contract or other contract that is not by its express terms and under Idaho law a policy of insurance.

IX

To the fullest extent permitted by law, this Corporation shall have the power to indemnify any person and to advance expenses incurred or to be incurred by such person in defending a civil, criminal, administrative or investigative action, suit or proceeding threatened or commenced by reason of the fact said person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Any such indemnification or advancement of expenses shall not be deemed exclusive of any other rights to which such person may be entitled under any bylaw, agreement, vote of policyholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. Any indemnification or advancement of expenses so granted or paid by the Corporation shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and personal representative of such person.

No director shall be liable to the Corporation or its policyholders for monetary damages for breach of fiduciary duty except: for any breach of the Director's duty of loyalty to the Corporation or its policyholders; for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; for liability imposed for failure to comply with the applicable legal standard of conduct for a director in any of the circumstances described in Section 30-1-48, Idaho Code; or for any transaction from which the director derives an improper personal benefit.

To the fullest extent permitted by law, the Corporation shall also have the power to purchase and maintain insurance on behalf of an individual who is or was a director, officer, employee, or agent of the Corporation, or who, while a director, officer, employee, or agent of the Corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by such individual in that capacity or arising from such status as a director, officer, employee, or agent, whether or not the Corporation would have power to indemnify such individual against the same liability, as provided in this Article, above.

X

If the Corporation shall at any time issue an assessable policy or policies of insurance, the maximum contingent liability of the policyholders for payment of losses and expenses incurred, other than as to nonassessable policies issued as permitted under section 41-2849, Idaho Code, shall be an amount determined by the Board of Directors, provided such amount shall not be less than one (1) nor more than six (6) annual premiums for any policyholder's policy.

XI


The Articles of Incorporation of this Corporation may be amended by the affirmative vote of a majority of its policyholders present or represented by proxy at any regular annual meeting, or at any special meeting called for the purpose.


There are no stockholders of the Corporation. By virtue of Idaho Code § 41-2854A(4), approval of these Articles of Amendment to Articles of Incorporation of Blue Cross of Idaho Health Service, Inc. by the members of the Corporation is not required.

The foregoing Articles of Amendment to Articles of Incorporation of Blue Cross of Idaho Health Service, Inc. have been duly adopted by said Corporation's Board of Directors at a meeting held July 30, 1994, (which is the date of each amendment's adoption) at which a quorum was present and for which notice, including notice of these Articles of Amendment, was duly and timely given.

In witness whereof, the undersigned have hereunto set their hands this 30th day of July, 1994.

Blue Cross of Idaho Health Service, Inc.

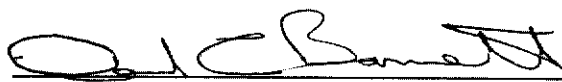
By: 
President

By: 
Secretary

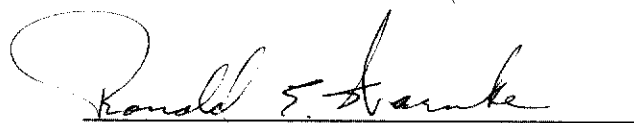
State of Idaho)
) ss.
County of Ada)

David L. Barnett, being first duly sworn, deposes and says:

That he is the President of Blue Cross of Idaho Health Service, Inc., an Idaho corporation, and one of the persons who executed the above and foregoing Articles of Amendment of the Articles of Incorporation of Blue Cross of Idaho Health Service, Inc., and he hereby verifies that the facts set forth in said Articles of Amendment are true and correct.


President

Subscribed and sworn to before me, this 30th day of July, 1994.


Notary Public for Idaho
Residing at Boise, Idaho
My Commission Expires: 8-13-1998

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