

**MID ATLANTIC MEDICAL SERVICES, INC.**  
**AUDIT COMMITTEE CHARTER**

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

**Purpose**

The Audit Committee is appointed by the Board to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the independent auditor's qualifications and independence, (3) the performance of the Company's internal audit function and independent auditor, and (4) the compliance by the Company with legal and regulatory requirements.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

**Committee Membership**

The Audit Committee shall consist of no fewer than three members. The members of the Audit Committee shall (1) receive no compensation from the Company other than director's fees<sup>1</sup>; (2) meet the other independence and the experience requirements of the New York Stock Exchange; and (3) meet the independence standards set forth in the Company's Corporate Governance Guidelines.

The members of the Audit Committee shall be appointed by the Board and shall serve until their successors are duly appointed and qualified. Audit Committee members may be replaced by the Board.

**Committee Authority, Duties and Responsibilities**

1. The Audit Committee shall have the sole authority to retain and terminate the Company's independent auditor and shall approve all audit engagement fees and terms and all significant non-audit engagements with the independent auditors. The Audit Committee may consult with management but shall not delegate these responsibilities.

2. At least annually, the Audit Committee shall obtain and review a report prepared by the independent auditor which describes: (a) that firm's internal quality control procedures; (b) 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, with respect to one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (c) all relationships between the independent auditor and the Company.

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<sup>1</sup> Disallowed compensation does not include compensation that the Board has already determined to be immaterial for purposes of its basic director independence analysis.

3. The Audit Committee shall discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
4. The Audit Committee shall discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
5. The Audit Committee shall review: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
6. The Audit Committee may, as deemed appropriate, obtain advice and assistance from outside legal, accounting or other advisors at the Company's expense and without prior approval.
7. The Audit Committee shall discuss the Company's policies with respect to risk assessment and risk management.
8. The Audit Committee shall meet separately, periodically as deemed necessary, with management, with internal auditors, and with independent auditors.
9. The Audit Committee shall review with the independent auditor any audit problems or difficulties and management's response thereto.
10. The Audit Committee shall set clear policies for the Company with regard to hiring employees or former employees of the independent auditors.
11. The Audit Committee shall make regular reports, as necessary, to the Company's Board of Directors.
12. The Audit Committee shall annually evaluate its performance.