

DIRECTOR INDEPENDENCE STANDARDS

AS ADOPTED BY THE BOARD OF DIRECTORS OF HEALTH NET, INC. ON DECEMBER 4, 2007

Under New York Stock Exchange listing standards applicable to Health Net, Inc. (the “Company”), no director of the Company qualifies as “independent” unless the Company’s Board of Directors (the “Board”) affirmatively determines that the director has no material relationship with the Company, including its consolidated subsidiaries (“Health Net”), either as a director or as a partner, shareholder or officer of an organization that has a relationship with Health Net. The Board has adopted the following standards (the “Standards”) to assist it in making determinations of director independence.

1. A director will be deemed to have a material relationship with Health Net and will not be considered independent if:
 - (a) the director is, or has been within the last three years, an employee of Health Net, or an immediate family member is, or has been within the last three years, an executive officer of the Company, other than in the capacity of interim chairman of the Board or interim chief executive officer of the Company, until three years after the end of such employment relationship;
 - (b) the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from Health Net, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
 - (c) (i) the director or an immediate family member is a current partner of a firm that is Health Net’s internal or external auditor; (ii) the director is a current employee of such a firm; (iii) the director has an immediate family member who is a current employee of such a firm and who participates in the firm’s audit, assurance or tax compliance (but not tax planning) practice; or (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Health Net’s audit within that time;
 - (d) the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company’s present executive officers at the same time serves or served on that company’s compensation committee;
 - (e) the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, Health Net for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1,000,000 or 2% of such other company’s consolidated gross revenues; or

- (f) the director currently provides professional services directly to Health Net or to an individual officer of the Company in excess of \$25,000 per year;

provided that (A) notwithstanding subparagraph (a) of this paragraph 1, employment as an interim chairman of the Board or chief executive officer or other executive officer of the Company does not disqualify a director from being considered independent following that employment; (B) in applying subparagraph (b) of this paragraph 1, compensation received by a director for former service as an interim chairman of the Board or chief executive officer or other executive officer of the Company need not be considered, and compensation received by an immediate family member for service as an employee of Health Net (other than as an executive officer of the Company) need not be considered; and (C) in applying subparagraph (e) of this paragraph 1, contributions to tax exempt organizations are not considered to be “payments.”

In addition, a director will not be considered independent if Section 303A.02(b) of the NYSE’s Listed Company Manual (or any applicable successor listing standard) otherwise disqualifies such director from being considered independent.

- 2. Subject to paragraph 1 and the relationships set forth below in this paragraph 2, material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. In assessing whether a director who is not currently an employee of the Company has a material relationship with the Company, the Board shall take into account, among other things (in addition to paragraph 1 of the Standards and the relationships listed in subparagraphs (a) through (k) of this paragraph 2), whether such director plays a significant role in the Company’s operations, such as actively participating in day-to-day decisions that typically would be made by management (*e.g.*, decisions relating to general operational matters or personnel matters) or participates in more than an insignificant number of Company-sponsored or management activities, it being understood that Board members play a significant role in reviewing and approving strategic and material operational decisions made by management and that a director’s participation in the review and approval of such decisions by the Board (or committee thereof) as a whole shall not preclude a determination by the Board that such director is independent.

The following relationships will not be considered to be material relationships with Health Net that would impair a director’s independence:

- (a) service by the director or an immediate family member as an executive officer, director or trustee of a tax exempt organization to which Health Net has made discretionary contributions in an amount which, in any of the last three fiscal years, did not exceed the greater of \$1,000,000 or 2% of such tax exempt organization’s consolidated gross revenues (Health Net’s matching of employee charitable contributions will not be included in the amount of Health Net’s contributions for this purpose);
- (b) the purchase by the director or an immediate family member (or by an organization of which the director or an immediate family member is an executive

officer or in a similar position) of insurance, health care services or other services or products of Health Net, all on terms and conditions no more favorable to such director, immediate family member or organization than those customarily available to similarly situated persons who are not directors or executive officers of the Company;

- (c) the director's or an immediate family member's service on the board of directors of another public company for which an executive officer or other director of the Company also serves as a director, provided that such relationship does not give rise to a prohibited compensation committee interlock;
- (d) service by the director or an immediate family member as an executive officer of another public company that is a client of Health Net's independent registered public accounting firm;
- (e) a commercial relationship in which the director or an immediate family member is an executive officer of another company that owns a common stock interest in the Company; and
- (f) service by the director or an immediate family member as an executive officer of another company in which Health Net owns a common stock interest that is less than 5% of the total shareholders equity of such other company;
- (g) the receipt by the director or an immediate family member of compensation for service as a member of the board of directors (or any committee thereof) of the Company or any subsidiary of the Company, including regular benefits received by other outside directors;
- (h) a transaction in which the director's or immediate family member's interest arises solely from the director's or immediate family member's position as a director or advisory director (or similar position) of another corporation or organization that is a party to the transaction, the director did not participate in furtherance or approval of the transaction and the transaction was negotiated on an arm's-length basis;
- (i) a transaction in which the director's interest (or that of an immediate family member) arises solely from the director's (or such immediate family member's) ownership of an equity or limited partnership interest in the other party to the transaction, so long as the aggregate ownership of all directors, director nominees, executive officers and 5% stockholders of the Company (together with that of their immediate family members) does not exceed 5% of the equity or partnership interests in that other party;
- (j) any relationship between Health Net and a family member of the director that is not an immediate family member; or

- (k) any other relationship or transaction (i) that is not listed in paragraph 1 and not listed above in this paragraph 2 and (ii) in which the amount involved does not exceed \$50,000.

3. For purposes of the Standards:

- (a) the term “executive officer” has the same meaning specified for the term “officer” in Rule 16a-1(f) under the Securities Exchange Act of 1934;
- (b) the term the term “immediate family member” means a director’s spouse, parents, stepparents, children, stepchildren, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such director’s home, *provided* that, when used in applying the look-back provisions in paragraph 1 of the Standards, such term does not include individuals who are no longer immediate family members as a result of legal separation or divorce or those how have died or become incapacitated; and
- (c) the term “professional services” means those services that can be characterized as advisory in nature, which services generally include (but are not necessarily limited to) investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; accounting/audit services; consulting services; marketing services; and legal services.