

INITIAL NOTICE OF COBRA RIGHTS

EMPLOYER (employer completes both address sections)

FROM: _____

Contact Person/Department:

NAME _____

DATE: _____

TO: _____

Name _____

ADDRESS _____

CITY/ST/ZIP _____

A federal law known as COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985 as amended) requires most employers sponsoring group health plans to notify all of their employees, including newly-hired, current and previous employees (and their dependents) of their rights to 'continuation' health care coverage in the event they would lose coverage due to certain events called "Qualifying Events." This notice is the employers fulfillment of this obligation. If you, your spouse or dependent child(ren) are or become participants in the above employer's group health plan(s), it is important to understand your ongoing rights and obligations under the continuation of coverage provisions of COBRA. This summary of rights should be reviewed by both you and your spouse (if applicable), retained with other benefits documents, and referred to in the event that any action is required on your part.

If you, your spouse or dependent child(ren) should lose coverage under the above employers group health plan(s) due to a "Qualifying Event" (listed below), you may be entitled to elect temporary continuation of health care coverage ("continuation coverage") at group rates. It is important that your sponsoring employer have your current address. Notification of a Qualifying Event should one occur, will be sent to your last known address at the time of the event. The following summary of information concerning COBRA outlines the procedures which should be followed if or when a Qualifying Event occurs.

If you are an employee of the employer designated in the "EMPLOYER" box above and are covered by its group health plan, you have a right to elect continuation coverage if you lose your group health coverage because of a reduction in your hours of employment or the termination of your employment (for reasons other than gross misconduct).

If you are the covered spouse of the above covered employee, you have the right to elect continuation coverage for yourself if you lose group health coverage for any of the following reasons:

- (1) The death of your spouse;
- (2) The termination of your spouse's employment (for reasons other than gross misconduct) or reduction in your spouse's hours of employment;
- (3) Divorce or legal separation from your spouse; or
- (4) Your spouse becomes entitled to Medicare.

If you are a covered dependent child of the above employee, you have the right to elect continuation coverage if you lose group health coverage for any of the following reasons:

- (1) The death of the employee;
- (2) The termination of the employee's employment (for reasons

other than gross misconduct) or a reduction in the employee's hours of employment;

(3) Parents' divorce or legal separation;

(4) Employee becomes entitled to Medicare; or

(5) The dependent ceases to be a 'dependent child' under the terms of the plan(s).

You also have a right to elect continuation coverage if you are covered under the plan as a retiree or spouse or child of a retiree, and lose coverage within one year before or after the commencement of proceedings under Title 11 (bankruptcy), United States Code.

Under the law, the employee (or a covered dependent) has the responsibility to inform the above named employer of a divorce, legal separation, or a child losing dependent status under the plan if any of these events would cause a loss of coverage. This notification must be made within 60 days after the date of the Qualifying Event, or the date on which coverage would end under the plan because of the event, whichever is later. The notice must be in writing, and should be sent to the contact person or department of the employer indicated on this form, if notice is not timely made, rights to continue coverage will terminate. In situations where a covered employee discontinues coverage of a spouse in anticipation of a divorce or legal separation, your sponsoring employer, who received timely notification, is required to make COBRA continuation coverage available effective from the date of the divorce or legal separation (but not prior to that date). If you need help acting on behalf of an incompetent beneficiary, please contact the employer indicated for assistance.

When the employer is notified that a Qualifying Event has happened, it will in turn notify you that you have the right to elect continuation coverage. Under the law, you have 60 days from the date you would lose coverage because of one of the events described above, or 60 days from the date of the employer's notice of your right to elect continuation coverage (whichever is later) to elect continuation coverage. If you make a timely election, coverage will become effective on the day after coverage would otherwise be terminated. **Note: Some states offer financial aid to help certain individuals pay for COBRA coverage. Contact your appropriate state agency regarding availability and eligibility requirements.** Additionally, under certain circumstances, COBRA coverage may be paid with pre-tax dollars from a cafeteria plan under Section 125.

If you do not timely elect continuation coverage, your group health insurance coverage will terminate in accordance with the provisions outlined in your employer's plan.

If you elect Continuation coverage, your coverage will be identical to the coverage provided under the plan to similarly situated employees and their family members. The law requires that you be afforded the opportunity to maintain continuation coverage for 36 months from the date of the Qualifying Event, unless coverage was lost because of a termination of employment or a reduction in hours. In that case, the required continuation coverage period is 18 months measured from the Qualifying Event date. The 18-month period may be extended to 29 months for disabled Qualified Beneficiaries under certain circumstances, as described on the reverse side of this notice.

However, the law also provides that continuation coverage may end prior to the expiration of the 18-, 29- or 36-month period described above if any one of the following occurs:

- The Qualified Beneficiary fails to pay the required premium in a timely manner;
- The Qualified Beneficiary first becomes, after the date of election,

Continued on next page

INITIAL NOTICE OF COBRA RIGHTS (continued)

entitled to Medicare;

- The employer/former employer no longer provides coverage to any of its employees;
- The Qualified Beneficiary first becomes, after the date of election covered under another group health plan (as an employee or otherwise) which does not contain any exclusion or limitation with respect to any preexisting condition of the Qualified Beneficiary.

You do not have to show that you are insurable to choose continuation coverage. However, continuation coverage under COBRA is provided subject to your eligibility for coverage under the plan. The employer reserves the right to terminate your continuation coverage retroactively if you are determined to be ineligible.

Under the law, you may have to pay all or part of the premium for your continuation coverage. Your employer may charge you up to 102% of the applicable premium for your continuation coverage. The law also says that, at the end of the 18-month, 29-month or 36-month continuation coverage period, you must be allowed to enroll in an individual conversion health plan if one is provided under the terms of the employers group health plan. In addition, under the Health Insurance Portability & Accountability Act (HIPAA, 1996), in certain circumstances, such as when you exhaust COBRA coverage, you may have the right to buy individual health coverage with no pre-existing condition exclusion without having to give evidence of good health.

Once your continuation coverage terminates for any reason, it cannot be reinstated.

Please notify the contact person or department indicated in the EMPLOYER box on the front side of this notice if:

- you have any questions about this material;
- you have a change in marital status, or you, your spouse, or eligible covered dependent has a change of address.

Also, if your spouse or any covered child resides at a different address, please notify the employer in writing, so that a separate notice may be sent.

COBRA Questions and Answers

A) Who is a Qualified Beneficiary?

A Qualified Beneficiary is any employee, former employee, or spouse or dependent child of an employee or former employee, who was covered under the employer's group health plan on the day before the Qualifying Event. The definition also includes a child born to or placed for adoption with a covered employee during the period of COBRA coverage.

B) What is a Qualifying Event?

A Qualifying Event is any of the following events which would cause an employee, former employee, covered spouse or covered dependent child to lose coverage under the employer's group health plan. These events include:

- a) with respect to a Qualified Beneficiary, an employee's termination of employment (includes voluntary resignation and involuntary termination, except when termination is due to gross misconduct), retirement, or layoff;
- b) with respect to a Qualified Beneficiary, an employee's reduction of work hours (includes work stoppage, strike, or employee begins leave of absence);
- c) with respect to a Qualified Beneficiary other than the employee, death of a covered employee;
- d) with respect to a Qualified Beneficiary other than the employee, divorce or legal separation from a covered employee;
- e) with respect to a Qualified Beneficiary other than the employee, a

dependent child's loss of eligibility due to the plan's eligibility definitions;

- f) with respect to a Qualified Beneficiary other than the employee, an employee becoming entitled to Medicare.
- g) with respect to a retiree or spouse of child of a retiree, loss of coverage within one year before or after the sponsoring employer's commencement of proceedings under Title 11 (bankruptcy), United States Code.

C) How long may coverage be continued?

If the Qualifying Event is either "(a)" or "(b)" in question B above, coverage may be continued for up to 18 months,* which is measured from the date of the Qualifying Event. For Qualified Beneficiaries other than the covered employee, coverage may be continued for: (i) up to 36 months from any other Qualifying Event, which is Measured from the date of the original Qualifying Event, or, (ii) up to 36 months measured from the date of the covered employee's Medicare entitlement. If the covered employee becomes entitled to Medicare and, within 18 months thereafter, has a Qualifying Event (either "(a)" or "(b)" in question B above). However, continuation coverage may end prior to the expiration of the 18-, 29- or 36-month period, as described on the reverse side of this notice.

**Note: A Qualified Beneficiary who is determined under Title II or XVI of the Social Security Act to have been disabled at the time of a Qualifying Event or within the first 60 days of COBRA coverage described in "(a)" or "(b)" in question B above may be eligible to continue coverage for an additional 11 months (29 months total). In order to obtain this extension of coverage, the Qualified Beneficiary must Provide the employer with the written determination of disability from the Social Security Administration within 60 days of the date of the determination of disability by the Social Security Administration and prior to the end of the 18-month continuation period. The employer can charge up to 150% of the applicable premium during the 11-month disability extension. If coverage is extended to 29 months, coverage will cease upon a final determination that the Qualified Beneficiary is no longer disabled. The disabled individual must notify the Employer within 30 days of any final determination that he or she is no longer disabled.*

D) What coverage(s) maybe continued?

Qualified Beneficiaries may continue only those group health coverages that were in effect on the day before the Qualifying Event.

E) Can Qualified Beneficiaries make separate coverage elections?

Yes, Qualified Beneficiaries may make separate elections. Each Qualified Beneficiary may choose any benefit coverage for which he or she is eligible. If Qualified Beneficiaries wish to make independent elections, they must complete separate election forms. Parents or guardians may elect coverage on behalf of minor dependent children.

F) How much will it cost me to continue coverage under COBRA?

The cost to continue coverage is the applicable group premium rate for coverage elected, plus an administration fee, if applicable. Premium rates (including administration fees where applicable) should be provided to you at the time of a Qualifying Event. These rates are subject to change.

G) When does COBRA coverage begin?

COBRA continuation coverage begins on the day after the date that coverage would otherwise terminate under the plan, only if the election form is sent within the allotted time period and all other eligibility requirements are satisfied.