Dear Associate:

\* \* \* \* General Notice of COBRA Continuation Coverage Rights \* \* \* \*

Introduction

You are receiving this notice because you have recently become covered under a group health plan (the Plan). This notice contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Plan. This notice generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive.

The right to COBRA continuation was created by a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA continuation coverage can become available to you when you would otherwise lose your group health coverage. It can also become available to other members of your family who are covered under the Plan when they would otherwise lose their group health coverage. For additional information about your rights and obligations under the Plan and under federal law, you should review the Plan’s Summary Description or contact the Plan Administrator.

What is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as “qualifying event.” Specific qualifying events are listed late in this notice. After a qualifying event, COBRA continuation must be offered to each person who is a “qualified beneficiary.” You, your spouse, and your dependent children could become qualified beneficiaries if coverage under the Plan is lost because of the qualifying event. Under the Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for COBRA continuation coverage.

If you are an employee, you will become a qualified beneficiary if you lose your coverage under the Plan because either one of the following qualifying events happens:

* Your hours of employment are reduced, or
* Your employment ends for any reason other than your gross misconduct.

If you are the spouse of an employee, you will become a qualified beneficiary if you lose your coverage under the Plan because any of the following qualifying events happens:

* Your spouse dies;
* Your spouse’s hours of employment are reduced;
* Your spouse’s employment ends for any reason other than his or her gross misconduct;
* Your spouse becomes entitled to Medicare benefits (under Part A, Part B, or both); or
* You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries if they lose coverage under the Plan because of any of the following qualifying events happens:

* The parent-employee dies:
* The parent-employee’s hours of employment are reduced;
* The parent-employee’s employment ends for any reason other than his or her gross misconduct;
* The parent-employee becomes entitled to Medicare benefits (Part A, Part B, or both);
* The parents become divorced or legally separated; or
* The child stops being eligible for coverage under the plan as a “dependent child.”

## When is COBRA Coverage Available?

The Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of employment or reduction of hours of employment, death of the employee, or the employee is becoming entitled to Medicare benefits (under Part A. Part B, or both), the employer must notify the Plan Administrator of the qualifying event. If retiree coverage is administered, the loss of retiree coverage resulting from a bankruptcy ruling will also be considered qualifying event.

## The Employee Must Give Notice of Some Qualifying Events

For the other qualifying events (divorce or legal separation of the employee and spouse or a dependent child’s losing eligibility for coverage as a dependent child), you must notify your employer or the Plan Administrator within 60 days after the qualifying event occurs.

## How is COBRA Coverage Provided?

Once the Plan Administrator received notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. Covered employees may elect COBRA continuation coverage on behalf of their children. If you elect to continue your FSA through COBRA, the maximum period for which continuation coverage will be available is through the end of the calendar year, on an after tax basis.

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the death of the employee, the employee’s becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child’s losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of employment or reduction of the employee’s hours of employment, and the employee became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than the employee lasts until 36 months after the date of Medicare entitlement. For example, if a covered employee becomes entitled to Medicare 8 months before the date on which his employment terminates, COBRA continuation coverage for his spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 28 months after the date of the qualifying event (36 months minus 8 months). Otherwise, when the qualifying event is the end of employment or reduction of the employee’s hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18-month period of COBRA continuation coverage can be extended.

### **Disability extension of 18-month period of continuation coverage**

If you or anyone in your family covered under the Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator in a timely fashion, you and your entire family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. You will pay the full cost of coverage, which includes the premium that was paid by the employee and the company, plus up to a 50% administration fee. The disability would have to have started some time before the 60th day of COBRA continuation coverage and must last at least until the end of the 18-month period of continuation coverage. In order for the Individual Billing Administration to process your extension, you must provide a copy of your Disability Award letter that is received from the Social Security Administration to the following address prior to the end of your COBRA continuation period to the Plan administrator.

### **Second qualifying event extension of 18-month period of continuation coverage**

If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, the spouse and dependent children in your family can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan. This extension may be available to the spouse and any dependent children receiving continuation coverage if the employee or former employee dies, becomes entitled to Medicare benefits (under Part A, Part B, or both), or gets divorced or legally separated, or if the dependent child stops being eligible under the Plan as a dependent child, but only if the event would have caused the spouse or dependent child to lose coverage under the Plan had the event not occurred.

### **Keep Your Plan Informed of Address Changes**

In order to protect our family’s rights, you should keep the Plan Administrator informed of any changes in the address of family members. You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

A child who is born to, or place for adoption with, the covered employee during a period of COBRA coverage will be eligible to become a qualified beneficiary. Under the terms of your group health plan and the requirements of federal law, these qualified beneficiaries can be added to COBRA coverage upon proper notification to your employer or COBRA plan administrator of the birth or adoption.

The law also provides that continuation coverage may be cut short for any of the following:

1. Your employer no longer provides group health coverage to any of its employees.
2. The premium for continuation coverage is not paid on time;
3. The qualified beneficiary becomes covered, after the date he or she elects COBRA coverage, under another group health plan that does not contain any exclusion or limitation with respect to any preexisting condition he or she may have;
4. The qualified beneficiary become entitled to Medicare after the date he or she elects COBRA coverage;
5. The qualified beneficiary extends coverage for up to 29 months due to disability and there has been a final determination that the individual is no longer disabled.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) restricts the extent to which group health plans may impose preexisting condition limitations. These rules are generally effective for plan years beginning after June 20, 1997. HIPAA coordinates COBRA’s other coverage cut-off rules with the following limits:

If you become covered by another group health plan and that plan contains a preexisting condition limitation that affects you, your COBRA coverage cannot be terminated. However, if the other plan’s preexisting condition rule does not apply to you by reason of HIPAA’s restrictions on preexisting condition clauses, your employer or COBRA plan administrator may terminate your COBRA coverage.

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

If you choose COBRA, you will pay the full cost of coverage, which includes the premium that was paid by the employee and the company, plus a 2 percent administration fee. There is a grace period of at least 30 days for payment of the regularly scheduled premium. At the end of the 18-month, 29-month, or 36-month continuation coverage period, qualified beneficiaries may be offered, if available on the group health plan, the opportunity to enroll in an individual conversion health plan provided by your employer.

## If You Have Questions

If you have question concerning your COBRA continuation coverage rights, or if you have changed your marital status, or you or your spouse have changed addresses, please contact your employer or your COBRA plan administrator. For more information about your rights under ERISA, including COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor’s Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at [www.dol.gov/ebsa](http://www.dol.gov/ebsa). (Addresses and phone numbers of the Regional and District EBSA Offices are available through EBSA’s website.)