

COBRA LAWS

On April 7, 1986 a federal law was enacted (Public Law 99-272, Title X) requiring that most employers sponsoring group health plans offer Employees and their families the opportunity for a temporary extension of health coverage (called "COBRA continuation coverage") at the group rates. This extension would be offered in certain instances where coverage under the plan would otherwise end. This notice is intended to inform you, in a summary fashion, of your rights and obligations under the COBRA continuation coverage provision of the law. Both you and your spouse, if applicable, should take the time to read this notice carefully.

EMPLOYEE COBRA CONTINUATION

If you are an Employee covered by the Employer's Benefits Plan, you have the right to choose COBRA continuation coverage if you lose your group health coverage because of a reduction in hours of employment or the termination of your employment (for reasons other than gross misconduct on your part).

SPOUSE COBRA CONTINUATION

If you are the spouse of an Employee covered by the Plan, you have the right to choose COBRA continuation coverage for yourself if you lose group health coverage under the Plan for any of the following four reasons:

1. The death of your spouse;
2. Termination of your spouse's employment (for reasons other than gross misconduct) or reduction in your spouse's hours of employment with the Employer;
3. Divorce or legal separation from your spouse; or
4. Your spouse becomes enrolled in Medicare.

DEPENDENT CHILD COBRA CONTINUATION

In the case of a dependent child of an Employee covered by the Plan, he/she has the right to COBRA continuation coverage if group health coverage under the Plan is lost for any of the following five reasons:

1. The death of a parent;
2. Termination of the parent's employment (for reasons other than gross misconduct) or reduction in the parent's hours of employment with the Employer;
3. A parent's divorce or legal separation;
4. A parent becomes enrolled in Medicare; or
5. The dependent child ceases to become a "dependent child" under the plan.

ELIGIBILITY

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

PREMIUMS

Under the law, you may have to pay all of the premium plus a 2% administration fee for your COBRA continuation coverage. There is a grace period of at least 30 days for payment of the regularly scheduled premium. The law also states that at the end of the 18-month or 36-month COBRA continuation coverage period, you must be allowed to enroll in an individual conversion health plan if one is provided under the Plan.

NOTIFICATION RESPONSIBILITIES

Under the law, the Employee or a family member has the responsibility to inform the Plan Administrator of a divorce, legal separation, or a child losing dependent status under the Plan. The Plan Administrator must be informed within 60 days of the date of event, or the date on which coverage would end under the Plan because of the event, whichever is later. The Employer will notify the Plan Administrator of the Employee's death, termination, reduction in hours of employment, or Medicare enrollment. Similar rights may apply to certain retirees, spouse and dependent children if the Employer commences a bankruptcy proceeding and these individuals lose coverage.

When the Plan Administrator is notified that one of these events has occurred, the Plan Administrator will in turn notify you that you have the right to choose COBRA continuation coverage. Under the law, you have 60 days from the date you lose coverage, because of one of the events described above, to inform the Plan Administrator that you want COBRA continuation coverage.

COVERAGE

If you do not choose COBRA continuation coverage, your group health insurance coverages will end. If you choose COBRA continuation coverage, your Employer is required to give you coverage which is identical to the coverage provided under the plan to similarly situated Employees or family members, at the time coverage is being provided. The law requires that you be afforded the opportunity to maintain COBRA continuation coverage for 18 months. These 18 months may be extended to 36 months for dependents, if other events (such as death, divorce, legal separation, or Medicare enrollment) occur during that 18-month period.

The 18 months may be extended to 29 months if an individual is determined to be disabled (for Social Security Disability purposes) and the Plan Administrator is notified of that determination within 60 days from the date of the determination, and within the original 18-month period. The affected individual must also notify the Plan Administrator within 30 days of any final determination that the individual is no longer disabled. In no event will COBRA continuation coverage last beyond 36 months from the date of the event that originally made a qualified beneficiary eligible for coverage.

CUT-OFF EVENTS

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

1. Your Employer no longer provides group health coverage to any of its Employees;
2. The premium for your COBRA continuation coverage is not paid by you on time;
3. You become covered under another group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition you may have;
4. You become enrolled in Medicare;
5. You extend coverage for up to 29 months due to a disability and there has been a final Social Security Administration determination that you are no longer disabled.

ADDITIONAL INFORMATION

If your marital status has changed, there is a loss of "dependent child" status or you or your spouse has changed addresses, please notify your Employer. If you have any questions about COBRA, please contact your Employer.