

Important COBRA Notice Regarding Group Health Benefits

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), as amended requires that many employers sponsoring group health plans offer the covered employees and their family members the opportunity for a temporary extension of health coverage (continuation coverage) at group rates in instances where coverage under the plan would otherwise end (that is, upon a qualifying event as described below). This notice is intended to inform you, in a summary fashion, of your rights and obligations under COBRA. If you are married, both you and your spouse should take the time to read this notice carefully. If you have any questions regarding this notice, please contact your personnel department.

I. QUALIFYING EVENT

This portion of the notice describes the qualifying events that may allow you to elect to continue group health coverage under the plan and the maximum period of such continuation coverage. The continuation coverage will be terminated before the end of the maximum period under certain circumstances as described in the Termination of Continuation Coverage portion of this notice, below.

A. Termination of Employment or Reduction of Hours:

If you are the employee, the spouse of the employee, or a dependent of the employee in the event that you would lose coverage under the plan because of the termination of the employee's employment (other than by reason of the employee's gross misconduct) or a reduction of hours of the employee's employment, you have a right to elect to continue group health coverage under the plan for a maximum period of eighteen (18) months. However, this period shall be extended to twenty-nine (29) months for you if both:

1. You are determined, under Title II or XVI of the Social Security Act, to have been disabled at any time during the first sixty (60) days of COBRA continuation coverage; and
2. You have notified the plan administrator of such determination no later than the earlier of:
 - a. Sixty (60) days after the date of determination; or
 - b. The period of eighteen (18) months following the employee's termination of employment or reduction of hours of employment.

B. Death of the Covered Employee:

If you are the spouse of the employee or a dependent of the employee, in the event that you would lose coverage under the plan because of the employee's death, you have a right to elect to continue group health coverage under the plan for a maximum period of thirty-six (36) months. If the employee dies during the COBRA continuation period described in the Termination of Employment or Reduction of Hours paragraph above, the maximum COBRA continuation coverage period shall be extended to thirty-six (36) months from the date of the termination of the employee's employment or the reduction of hours of the employee's employment.

C. Divorce or Legal Separation:

If you are the spouse of the employee or a dependent of the employee, in the event that you would lose coverage under the plan because of a divorce or legal separation of the employee from the employee's spouse, you have a right to elect to continue group health coverage under the plan for a maximum period of thirty-six (36) months. If the divorce or legal separation occurs during the COBRA continuation period described in the Termination of Employment or Reduction of Hours paragraph above, the maximum COBRA continuation coverage period shall be extended to thirty-six (36) months from the date of the termination of the employee's employment or the reduction of hours of the employee's employment.

D. Medicare Entitlement:

If you are the spouse of the employee or a dependent of the employee, in the event that you would lose coverage under the plan because of the employee's entitlement to Medicare benefits under Title XVIII of the Social Security Act, you have a right to elect to continue group health coverage under the plan for a maximum period of thirty-six (36) months. If the employee's entitlement to Medicare benefits occurs during

the COBRA continuation period described in the Termination of Employment or Reduction of Hours paragraph above, the maximum COBRA continuation coverage period shall be extended to thirty-six (36) months from the date of the termination of the employee's employment or the reduction of hours of the employee's employment. If the termination of the employee's employment (other than by reason of the employee's gross misconduct) or the reduction of hours of the employee's employment occurs within eighteen (18) months of the employee's entitlement to Medicare benefits, the maximum continuation coverage period for the spouse of the employee or a dependent of the employee is extended to thirty-six (36) months from the employee's entitlement to Medicare benefits.

E. Dependent Child:

If you are a dependent of the employee, in the event that you would lose coverage under the plan because of ceasing to be a dependent child under the generally applicable requirements of the plan, you have a right to elect to continue group health coverage under the plan for a maximum period of thirty-six (36) months. If the dependent's ceasing to be a dependent child occurs during the COBRA continuation period described in the Termination of Employment or Reduction of Hours paragraph above, the maximum COBRA continuation coverage period shall be extended to thirty-six (36) months from the date of the termination of the employee's employment or a reduction of hours of the employee's employment.

F. Bankruptcy:

If the employee has retired from the employer and the employer becomes subject to a proceeding in a case under Title 11 of the United States Code (governing bankruptcy) and the proceeding results in a loss of coverage, or there is a substantial elimination of coverage within one (1) year before or after the date of commencement of the bankruptcy proceeding, then:

1. If you are the employee and you had retired on or before the date of substantial elimination of coverage, you have a right to elect to continue group health coverage under the plan for a maximum period ending on the date of your death.
2. If on the day before the commencement of the bankruptcy proceeding, you were covered under the plan as either the spouse of the retired employee or a dependent child of the retired employee, you have a right to elect to continue group health coverage under the plan for a maximum period of thirty-six (36) months after the date of the retired employee's death.
3. If on the date before commencement of the bankruptcy proceeding, you were covered under the plan as the surviving spouse of the retired employee, you have a right to elect to continue group health coverage under the plan for a maximum period ending on the date of your death.

II. NOTICES

A. The Employer's Obligation to Provide Notice:

The employer will notify you of the right to elect to continue coverage and will inform you of the time and manner of making the election upon:

1. The termination of the employee's employment (other than by reason of gross misconduct);
2. A reduction of hours of the employee's employment;
3. The employee's death;
4. The employee's entitlement to Medicare benefits under Title XVIII of the Social Security Act; or
5. The employer becoming subject to a proceeding in a case under Title 11 of the United States Code (governing bankruptcy).

B. Your Obligation to Provide Notice:

You are responsible for notifying the employer within sixty (60) days of any of the following events:

1. The divorce or legal separation of the employee from the employee's spouse; or
2. A dependent ceasing to be a dependent child under the generally applicable requirements of the plan.

Your failure to notify the employer of an event described above, within the sixty (60) day period described above will result in the loss of the right to elect to continue coverage under the plan.

After the employer is notified of an event described above, the employer will provide a notice to the employee's dependent child or former or estranged spouse regarding the possible continuation of group health coverage.

C. Special Notice Requirements for Disabled Persons:

If you are determined, under Title II or XVI of the Social Security Act, to have been disabled at any time during the first sixty (60) days of COBRA continuation coverage following the employee's termination of employment or reduction of hours of employment, you are responsible for notifying the employer within sixty (60) days of such determination (but in no event later than the end of the period of eighteen (18) months following the employee's termination of employment or reduction of hours of employment). Your failure to notify the employer of this determination by this deadline will result beyond the period of eighteen (18) months following the employee's termination of employment or reduction of hours of employment. In addition, if a final determination is made that you are no longer disabled, you are also responsible for notifying the employer within thirty (30) days after the date of such determination.

III. ELECTING CONTINUATION COVERAGE

An election to continue coverage must be made during the period beginning on the date coverage under the plan terminates by reason of a qualifying event described above and ending sixty (60) days after the later of:

1. The date coverage under the plan terminates; or
2. The date when the notice is sent to the person entitled to the election.

If you do not choose to continue during the election period, your health plan coverage will end. If you elect not to continue coverage and then change your mind during the election period, you may still elect continuation coverage within the election period. In this event your coverage will commence as of the date of the notice of your election to continue coverage and you will not have coverage for the period of time beginning with the initial loss of coverage to the date of the notice of your election to continue coverage.

Each family member is entitled to make a separate continuation election among the types of coverage under which he or she was covered on the day before the qualifying event described above. The election to continue coverage for a dependent child may be made by the employee or by the employee's spouse. If the employee or the employee's spouse declines coverage for a dependent child, the dependent child is entitled to elect to continue coverage on his or her own behalf.

IV. PAYING FOR COBRA CONTINUATION COVERAGE

If you elect to continue coverage, you must pay for the coverage. You are obligated to pay up to one hundred and two percent (102%) of the premiums for the coverage. However, if you were determined, under Title II or XVI of the Social Security Act, to have been disabled at any time during the first sixty (60) days of COBRA continuation coverage following the employee's termination of employment or reduction of hours of employment, and you elect to continue coverage under the plan beyond the period of eighteen (18) months following the employee's termination of employment or reduction of hours of employment, the employer can charge you one hundred fifty percent (150%) of the applicable premiums, rather than one hundred two percent (102%) for months nineteen (19) through twenty-nine (29). The employer will inform you of the premiums to be paid at the time of the qualifying event.

You have the right to elect to make monthly premium payments. Premium payments will be considered timely if made within a grace period of thirty (30) days after the date the payment is due. Your coverage will be canceled if payment is not made by the end of the grace period notwithstanding the foregoing; no payment of any premium is required to be made before the day which is forty-five (45) days after the day on which you elect to continue coverage.

V. TERMINATION OF CONTINUATION COVERAGE

If you elect to continue health coverage, coverage will terminate upon the earliest of the following events:

1. The expiration of the applicable term set forth above;
2. The date on which the employer ceases to provide any group health plan to any employee;

3. The date on which coverage ceases under the plan by reason of a failure to make timely payment of any premium required under the plan as described above;
4. The date on which the covered individual first becomes covered by any other group health plan, which does not contain any exclusion or limitation with respect to any pre-existing condition of such individual (other than such an exclusion or limitation which does not apply to or is satisfied by such individual by reason of the group health plan portability, access and renewability requirements of the Health Insurance Portability and Accountability Act of 1996);
5. The date on which the covered individual first becomes entitled to Medicare benefits under Title XVIII of the Social Security Act (except in the event of the bankruptcy of the employer as described above); or
6. If you were determined, under Title II or XVI of the Social Security Act, to have been disabled at any time during the first sixty (60) days of COBRA continuation coverage following the employee's termination of employment or reduction of hours of employment, and a final determination is made that you are no longer disabled, the first day of the month that begins more than thirty (30) days after the date of such determination (but only as to coverage that extends beyond the eighteen (18) months that is otherwise available upon the employee's termination of employment or reduction of hours of employment).

VI. CONTINUATION COVERAGE IN GENERAL

Continuation coverage is generally the same as the coverage that you had at the time of the qualifying event with the following exceptions:

1. If the coverage provided to similarly situated active employees is changed or eliminated, but the employer continues to maintain one or more group health plans, the employer must permit you to elect to be covered under any of the employer's remaining group health plans for similarly situated active employees.
2. If the coverage provided under the group health plan in which you are participating is limited geographically (e.g., a region-specific HMO) and you relocate to an area in which the plan will not service your health needs, the employer is not required to offer alternative coverage to you unless the employer has employees in the area to which you relocate, but only if a similarly situated active employee who transfers to that new location while continuing to work for the employer would be given the opportunity to elect alternative coverage at the time of transfer.
3. If the employer maintains more than one group health plan and an open enrollment period is available to similarly situated active employees with respect to whom a qualifying event is available to each qualified beneficiary receiving COBRA continuation coverage.

COBRA continuation coverage is not conditioned upon the insurability of you or any of your family members.

If you elect to continue coverage under COBRA, you may change coverage status (for example, from individual to family coverage) upon the birth or adoption of a child, provided that option is available to similarly situated active employees. Such a child may be enrolled without any pre-existing condition limitations if the child is enrolled within thirty (30) days of the date of birth or placement for adoption. A child who is born to or placed for adoption with the covered employee during the period of COBRA continuation coverage has his or her own separate COBRA rights as a qualified beneficiary even though the child was not covered by the plan at the time of the qualifying event.