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Use this sample to prepare a general notice for members and dependents. The bracketed phrases and blanks should be completed in accordance with your plan.

Continuation of Group Health Coverage for Qualified Persons

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires that your group plan allow qualified persons (described below) to continue group health coverage after it would otherwise end. The term "group health coverage" includes any medical, dental, vision care, and prescription drugs coverages that are included in the group health plan.

This form is a general summary of COBRA and is intended to provide information about your rights and obligations under COBRA. A complete description of plan provisions and benefits is available in the booklet certificate or by contacting the plan administrator. If you should become eligible for COBRA, you will receive a specific notice and election form.

(A) Qualified Persons/Qualifying Events. Continuation of group health coverage must be offered to the following persons if they would otherwise lose that coverage as a result of the following events:

- (1) a member (and any covered dependents) following the member's: (a) termination of employment for a reason other than gross misconduct, or (b) a reduction in work hours. (Note: Taking a leave under the federal Family and Medical Leave Act (FMLA) is not a qualifying event under COBRA. A member qualifies for COBRA when the member does not return to work after the end of FMLA leave.)
- (2) a member's former spouse (and any children) following a divorce or legal separation from the member.
- (3) a member's surviving spouse and/or children following the member's death.
- (4) a member's child following loss of status as a dependent under the terms of the plan (e.g. attaining the maximum age, marriage, joining the armed forces, etc.).
- (5) a member's spouse (and any children) following the member's enrollment under Medicare.
- (6) a member's child who is born to or placed for adoption with the member who is on COBRA continuation due to termination of employment or reduction in work hours.

[OPTIONAL -- Only applies to plans with retired health coverage]

- (7) a retired member (and any covered dependents or surviving dependents) when retiree health benefits are "substantially eliminated" or terminated within one year before or after the employer files Chapter 11 (United States Code) bankruptcy proceedings.

(B) Maximum Continuation Period. Following a qualifying event, group health coverage can continue up to the maximum continuation period. The maximum continuation period for a member (and any covered dependents) following a termination of employment or reduction in work hours is 18 months. The maximum continuation period for a member's dependent child that is born to or placed for adoption with the member while on COBRA continuation will extend to the end of the member's maximum continuation period.

Following a termination of employment or reduction in work hours, a qualified person may request an 11-month disabled extension of COBRA continuation. The maximum COBRA continuation will be 29 months (see section D for further information).

When a member becomes enrolled under Medicare before employment terminates or work hours are reduced, the maximum continuation period for the dependents will be the longer of:

- (1) 36 months dating back to the member's enrollment under Medicare; or
- (2) 18 months from the date of the qualifying event (termination of employment or reduction in work hours).

The maximum continuation period for dependent following a qualifying event described in A(2) through A(5) is 36 months.

Note: If coverage for a dependent was terminated in anticipation of a divorce or legal separation, the 36 months begin on the date of divorce or legal separation.

[OPTIONAL -- Only applies to plans with retired health coverage]

Note: *If the qualifying event is the employer's bankruptcy filing, the following rules apply:*

- (1) *If the retired member is alive on the date of the qualifying event, the retired member and his/her spouse and dependent children may continue coverage for the life of the retired member. In addition, if the retired member dies while covered under COBRA, the spouse or dependent children may continue coverage for an additional 36 months.*
- (2) *If the retired member is not alive on the date of the qualifying event, his/her spouse may continue coverage to the date of his/her death.*

(C) Second Qualifying Events. If during the 18-month continuation period (or 29 months for qualified persons on the disabled extension), a second qualifying event described in A(2) through A(5) occurs, the maximum continuation period may be extended for the qualified dependents up to 36 months. That is, following a second qualifying event, qualified dependents may continue for up to a maximum of 36 months dating from the member's termination of employment or reduction in work hours. The extension is only available if the second qualifying event described in A(2) through A(5), absent the first qualifying event, would result in a loss of coverage for dependents under the group health plan. A member's child who is born to or placed for adoption with the member who is on COBRA continuation may also be eligible for a second qualifying event that occurred prior to birth or placement for adoption.

(D) Disabled Extension. Following a termination of employment or reduction in work hours, a qualified person (member or dependent) who has been determined disabled by the Social Security Administration either before or within 60 days after the qualifying event may request an extension of COBRA continuation from 18 months to 29 months. A member's child who is born to or placed for adoption with the member who is on COBRA continuation may also qualify for the disabled extension if the Social Security Administration has determined the child disabled within 60 days after the date of birth or placement for adoption. The disabled extension also applies to each qualified person (the disabled person or any family member), who is not disabled and who is on COBRA continuation as a result of termination of employment or reduction in work hours. The 11-month extension for all qualified persons will end the earlier of: (a) 30 days following the date the disabled person is no longer determined by Social Security to be disabled; or (b) the date COBRA continuation would normally end (see section E).

(E) Termination of COBRA Continuation. COBRA continuation ends the earliest of the following:

- (1) the date the maximum continuation period ends.
- (2) the date the qualified person becomes enrolled under Medicare; however, this does not apply to a person who is already enrolled in Medicare on the date he/she elects COBRA or to a person who is on COBRA due to the employer's bankruptcy filing as described in A(7).
- (3) the end of the last coverage period for which payment was made if payment is not made before the grace period ends (see section I).
- (4) the date the group health plan is terminated (and not replaced by another group health plan).
- (5) the date the qualified person becomes covered by and has satisfied the preexisting exclusion provision of another group health plan; however, this does not apply to a person who is already covered by the other group health plan on the date he/she elects COBRA.

Note: Persons who, after the date of COBRA continuation election, become entitled to Medicare or become covered under another group health plan and have satisfied the preexisting exclusion provision, are not eligible for continued coverage. *[OPTIONAL -- Only applies to plans with retired health coverage] However, if the group policy covers retired members, continued coverage for retired persons and their dependents (or surviving dependents) due to qualifying event A(7) on Page 1 may not be terminated due to Medicare coverage.*

(F) Employer/Plan Administrator Notice Requirements. When a covered member or dependent becomes ineligible and loses group health coverage due to termination of employment, reduction in work hours, death of the member, *[OPTIONAL -- Only applies to plans with retired coverage – commencement of the employer's Chapter 11 bankruptcy proceedings,]* or member's entitlement to Medicare, the employer must notify the plan administrator of the qualifying event. The plan administrator must notify the qualified person of the right to elect COBRA continuation within 14 days after receiving notice of a qualifying event from the employer.

(G) Qualified Person Notice and Election Requirements. Qualified persons must notify the plan administrator within 60 days after: (a) the date of a qualifying event (i.e., divorce, legal separation, or a child ceases to be a dependent child under the terms of the group health plan); (b) the date the qualified person would otherwise lose coverage as a result of a qualifying event; or (c) the date the qualified person is first informed of this notice obligation; otherwise the right to COBRA continuation ends. The 60-day notice period applies to initial and second qualifying events.

Qualified persons who request an extension of COBRA due to disability must submit a written request to the plan administrator before the 18-month COBRA continuation period ends and within 60 days after the latest of the following dates: (a) the date of disability determination by the Social Security Administration; (b) the date of the qualifying event; (c) the date the qualified person would otherwise lose coverage as a result of a qualifying event; or (d) the date the qualified person is first informed of this notice obligation; otherwise the right to the disabled extension ends. Qualified persons must also notify the plan administrator within 30 days after the date the Social Security Administration determines the qualified person is no longer disabled.

Notification of a qualifying event to the plan administrator must be in writing and must include the following information: (a) name and identification number of the member and each qualified beneficiary; (b) type and date of initial or second qualifying event; (c) if the notice is for an extension due to disability, a copy of any letters from the Social Security Administration and the Notice of Determination; and (d) the name, address and daytime phone number of the qualified person (or legal representative) that the plan administrator may contact if additional information is needed to determine COBRA rights.

Within 14 days after receiving notice of a qualified event from the qualified person, the plan administrator must provide the qualified person with an Election Notice.

Qualified persons must make written election within 60 days after the later of: (a) the date group health coverage would normally end; or (b) the date of the plan administrator's Election Notice. The Election Notice must be returned to the plan administrator within this 60-day period; otherwise the right to elect COBRA continuation ends.

Each qualified person has an independent right to elect COBRA. A covered member may elect COBRA continuation on behalf of his/her covered spouse. A covered member, parent, or legal guardian may elect COBRA continuation on behalf of his/her covered dependent children.

To protect COBRA rights, the plan administrator must be informed of any address changes for covered members and dependents. Retain copies of any notices sent to the plan administrator.

- (H) Monthly Cost.** Persons electing COBRA continuation can be required to pay 102% of the cost for the applicable coverage (COBRA permits the inclusion of a 2% billing fee). Persons who qualify for the disabled extension and are not part of the family unit that includes the disabled person can be required to continue to pay 102% of the cost for the applicable coverage during the disability extension. Persons who qualify for the disabled extension and are part of the family unit that includes the disabled person can be required to pay 148% of the cost for the applicable coverage (plus a 2% billing fee) for the 19th through the 29th month of coverage (or through the 36th month if a second qualifying event occurs during the disabled extension).
- (I) Grace Period.** Qualified persons have 45 days after the initial election to remit the first payment. The first payment must include all payments due when sent. All other payments (except the first payment) will be timely if made within the grace period of the plan. Claims will only be honored through the last date paid.
- (J) Plan Changes.** COBRA continuation will be subject to the same benefit and rate changes as the group health plan.
- (K) Newly Acquired Dependents.** A qualified person may elect coverage for a dependent acquired during COBRA continuation. All enrollment and notification requirements that apply to dependents of active members apply to dependents acquired by qualified persons during COBRA continuation. Qualified person must apply to Principal Life Insurance Company for coverage for newly acquired dependents. Refer to the booklet certificate for provisions regarding dependent eligibility and effective dates.

Coverage for newly acquired dependents will end on the same dates as described in Section B. Exception: Coverage for newly acquired dependents, other than a member's dependent child who is born to or placed for adoption with the member under A(6), will not be extended as a result of a second qualifying event described in Section C.
- (L) Individual Purchase (Conversion).** When a qualified person is no longer eligible for COBRA continuation, he/she may apply for Individual Purchase if available under the group health plan. Persons who are eligible for similar benefits which would result in over-insurance or whose COBRA continuation ends because payment was not made timely may not purchase conversion. An application for Individual Purchase will be provided 180 days before the end of the maximum continuation period. Application for Individual Purchase, and payment of the required premium, must be made within 31 days after COBRA continuation ends. Dental and vision care coverages are not included with the Individual Purchase option.

Plan Administrator Contact Information. To notify the plan administrator of an initial or second qualifying event, request a disabled extension, request termination of COBRA, change of address, or request additional information concerning the group health plan or COBRA, contact the following:

Group health plan: _____

Contact name/area: _____

Address: _____

Phone number: _____

Note: Principal Life Insurance Company is **not** the plan administrator.

[OPTIONAL -- Plan member/dependent sign off]

PLEASE DETACH AND RETURN THIS RECEIPT.

I acknowledge that I have received from [_____ plan administrator name _____], a copy of a General Notice of Continuation of Group Health Coverage For Qualified Persons. The notice informs me and my dependents of rights and obligations for continuation of group health coverage under the law.

Signature of the member

Date signed

Signature of the spouse/dependent

Date signed

Both the member and the spouse/dependent should sign this receipt. Detach and return to:

(Plan administrator) _____

(Street or P.O. box) _____

(City, state, ZIP code) _____

This Sample General Notice form is distributed with the understanding that Principal Life Insurance Company is not rendering legal or tax advise. Plan administrators (employers) should review this Sample General Notice form with a legal or tax advisor for specific plan compliance, information, and assistance.