

FIRST NOTICE OF COBRA

VERY IMPORTANT NOTICE

A Federal law, usually called COBRA, requires that most employers sponsoring group dental and vision plans offer employees and their families the opportunity for a temporary extension of health coverage (called "continuation coverage") at group rates 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 continuation coverage provisions of COBRA. Both you and your spouse should take the time to read this notice carefully.

You have a right to choose this continuation coverage if you lose your group health coverage because of a reduction in your hours of employment or the termination of employment (for reasons other than gross misconduct on your part), or because your employer files for reorganization under Chapter XI of the Bankruptcy Law while you are retired.

If you are the spouse of an employee covered by this employer, you have the right to choose continuation coverage for yourself if you lose your group health coverage for any of the following five reasons:

- (1) The death of your spouse;
- (2) A 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;
- (4) Your spouse becomes entitled to Medicare; or
- (5) Your spouse's employer files for reorganization under Chapter XI of the Bankruptcy Law while your spouse is retired.

In the case of a dependent child of an employee covered by the plan, he or she has the right to continuation coverage if group health coverage is lost for any of the following six reasons:

- (1) The death of a parent;
- (2) The termination of a parent's employment (for reasons other than gross misconduct) or reduction in a parent's hours of employment with the Employer;
- (3) Parents' divorce or legal separation;
- (4) A parent becomes entitled to Medicare;
- (5) The dependent ceases to be a "dependent child" under the Group Health Plan; or
- (6) The parent's employer files for reorganization under Chapter XI of the Bankruptcy Law while the parent is retired.

Under COBRA, the employee or a family member has the responsibility to inform the employer of a divorce, legal separation, or a child losing dependent status under the plan within 60 days of the happening of any such event. If notice is not received within that 60 day period, the dependent will not be entitled to choose continuation coverage. The employer has the responsibility to notify Unum, of the employee's death, termination of employment, or reduction in hours or Medicare entitlement.

When the employer is notified that one of these events has happened, they will in turn notify you that you have the right to choose continuation coverage. Under COBRA, you have at least 60 days from the date you would lose coverage, because of one of the events described above, to inform the employer that you want continuation coverage.

If you do not choose continuation coverage, your group dental and vision insurance coverage will end.

If you choose continuation coverage, the employer is required to give you coverage which, as of the time coverage is being provided, is identical to the coverage provided under the plan to similarly situated employees or family members. COBRA requires that you be afforded the opportunity to maintain continuation coverage for 3 years unless you lost your group health coverage because of a termination of employment or reduction of hours. In that case, the required continuation coverage period is 18 months. If, during that 18-month period, another event takes place that would also entitle a dependent spouse or child (other than a spouse or child who became covered after continuation coverage became effective) to his or her own continuation coverage, (for example, the former employee dies, is divorced or legally separated, or be entitled to Medicare, or a dependent ceases to be a "dependent child" under the dental and vision plan the continuation coverage may be extended. However, in no case will any period of continuation coverage be more than 36 months.

If you are entitled to 18 months of continuation coverage, and if you are determined to be disabled under the terms of the Social Security Act as of the date your employment terminated (or the date your hours, were reduced), you are eligible for an additional 11 months of continuation coverage after the expiration of the 18 month period. To qualify for this additional period of coverage, you must notify the employer within 60 days after you receive a determination of disability from the Social Security Administration, provided notice is given before the end of the initial 18 months of continuation coverage. During the additional 11 months of continuation coverage, your premium for that coverage will be approximately 50% higher than it was during the preceding 18 months.

However, the new law also provides that your continuation coverage may be cut short for any of the following four reasons:

- (1) The employer no longer provides group dental and/or vision coverage to any of its employees;
- (2) The premium for your continuation coverage is not paid in a timely fashion;
- (3) You become covered under another group health plan, unless that other plan contains an exclusion or limitation with respect to any pre-existing condition affecting you or a covered dependent; or
- (4) You become entitled to Medicare.

You do not have to show that you are insurable to choose continuation coverage. However, under COBRA, you may have to pay all or part of the premium for your continuation coverage. You will have an initial grace period of 45 days starting with the date you choose continuation coverage to pay any premiums; and after that initial 45 day grace period, you will have a grace period of at least 30 days to pay any subsequent premiums. COBRA also says that, at the end of the 18 month, 29 month or 3 year continuation coverage period, you must be allowed to enroll in any individual conversion health plan which may be provided under the plan.

If you have any questions about COBRA, please contact the Employer. Also, if you have changed marital status, if a dependent ceases to be a "dependent child" under the plan, or if you or your spouse have a changed address, please notify the Employer.