

COBRA Is An Employer Law

It is the responsibility of the employer to understand all the requirements of the federal COBRA law and fully comply with its requirements. The information contained in this manual, your benefits booklet, and model notifications is only intended to be a summary of COBRA administration rights and obligations, not a complete description of the law. Additional information can be found by contacting the U.S. Department of Labor directly or by visiting their web site at www.dol.gov. Because of the importance of administering COBRA correctly—**we strongly encourage you to review COBRA and your company's COBRA administration requirements with your legal counsel.**

Overview—Continuation of Group Health Insurance (COBRA)

When group health insurance coverage ends, the federal Consolidated Omnibus Budget Reconciliation Act (COBRA) requires **eligible** employers to offer individuals who are losing coverage (known as qualified beneficiaries) the opportunity to purchase continued group health care coverage, including medical, dental and vision coverage if applicable, on a self-pay basis for a limited period of time. A “qualified beneficiary” is:

- an employee, spouse or dependent child who had coverage under a Trust health care plan on the day before the qualifying event that causes a loss of coverage under the Trust health care plan
- a child who is born or placed for adoption with a covered employee or qualified beneficiary, if the child is enrolled in a Trust health plan as described in the **Enrollment** section of this manual

Group health insurance continuation coverage (COBRA) is the same medical, dental and vision coverage as that provided under the Trust plan to active employees with similar family situations. If the Trust plan or the cost of the plan changes for active employees, then the coverage or cost will also change for participants continuing the group health plan under COBRA provisions. Life insurance and AD&D coverage are not considered group health plans and may not be continued under COBRA, but may be converted to individual policies.

Determining if Your Company is Subject to COBRA

Your company must comply with COBRA requirements if it employed 20 or more employees on at least 50% of its typical business days in the previous calendar year. All full-time and part-time common law employees of an employer are taken into account in determining whether an employer had 20 or more employees; however, an individual who is not a common law employee of the employer is not taken into account such as self-employed individuals, independent contractors, and directors.

Each full-time employee counts as one employee and each part-time employee counts as a fraction, with the numerator of the fraction equal to the number of hours worked by that employee and the denominator equal to the number of hours that must be worked on a typical business day in order to be considered a full-time employee. The determination of the number of hours required to be considered a full-time employee is based upon the employer’s employment practices, except that in no event may the hours required to be considered a full-time employee exceed eight hours for any day or 40 hours for any week.

Example #1:

On January 1, 2004, the company looks back over the calendar year 2003. If your company employed 22 employees on at least 50% of its typical business days in 2003, it is subject to COBRA for **all** of calendar year 2004 even if you employ less than 20 employees in 2004.

COBRA also requires that the employee of related employers be aggregated for purposes of the 20-employee test. Example #2 illustrates this rule:

Example #2:

ABC Company participates in the MBA Group Insurance Trust. The sole shareholder of ABC Company also owns 100% of the stock of the XYZ Company. XYZ Company does not participate in the MBA Trust. In calendar year 2003, ABC Company employs 15 employees and XYZ Company employs 10 employees on at least 50% of their typical business days. For purposes of COBRA, the employees of ABC Company and the employees of XYZ Company are aggregated (total of 25 employees for calendar year 2003). Both the ABC Company and the XYZ Company are subject to COBRA for all of calendar year 2004.

In making the COBRA eligibility determination all employees are counted—whether or not they are covered under the Trust plans—including full-time, part-time, temporary, union employees, and in some cases employees of related companies.

It is the responsibility of the employer to determine if you are subject to the COBRA requirements and as you can see from the above information, this determination is not always an easy one to make. Since the consequences of failing to comply with COBRA requirements can be severe, you should discuss questions about your company's COBRA status with your legal counsel at the beginning of each calendar year. This is especially critical if you have tentatively concluded that your company is not subject to COBRA.

What if Your Company is Not COBRA Eligible?

If your company is not COBRA eligible you **cannot** offer COBRA continuation coverage.

If your company is not subject to COBRA, conversion plans are available for your employee from the insurance carriers. Please refer to the benefits booklet, *When You Are No Longer Eligible For Coverage* section for information on these plans.

Overview of COBRA Qualifying Events

A COBRA qualifying event occurs when one of the events listed in the COBRA statute causes the covered employee, or the spouse or a dependent child of the covered employee, to lose coverage under the plan. For this purpose, to lose coverage means to cease to be covered under the same terms and conditions as in effect immediately before the qualifying event.

Qualifying Events For Covered Employee—If you are the covered employee, you will become a qualified beneficiary and have the right to elect this health plan continuation coverage *if* you lose your group health coverage because of a termination of your employment (for reasons other than gross misconduct on your part) or a reduction in your hours of employment.

Qualifying Events For Covered Spouse—If you are the *covered* spouse of an employee, you will become a qualified beneficiary and have the right to elect this health plan continuation coverage for yourself *if* you lose group health coverage because of any of the following reasons:

1. A termination of your spouse's employment (for reasons other than gross misconduct) or reduction in your spouse's hours of employment;
2. The death of your spouse;
3. Final divorce from your spouse.

Qualifying Events For Covered Dependent Children—If you are the *covered* dependent child of an employee, you will become a qualified beneficiary and have the right to elect continuation coverage for yourself *if* you lose group health coverage because of any of the following reasons:

1. A termination of the parent-employee's employment (for reasons other than gross misconduct) or reduction in the parent-employee's hours of employment;
2. The death of the parent-employee;
3. Parent's final divorce or;
4. You cease to be eligible for coverage as a "dependent child" under the terms of the health plan.

The length of continuation coverage is determined by the actual event. If the event is a termination of employment or a reduction of hours on the part of the employee, then qualified beneficiaries are eligible to continue coverage in general for a maximum period of 18 months. If the event is the death of the employee, final divorce, or a dependent child ceasing to be eligible as a dependent under the terms of the plan, then qualified beneficiaries are eligible to continue coverage in general for a maximum time period of 36 months.

Qualifying Events—Employer Responsibilities

It is the responsibility of the employer to know when the following qualifying events occur. These qualifying events include, termination of employment, reduction of hours and death of the employee.

Qualifying Events—Employee/Qualified Beneficiary Responsibilities

It is the responsibility of the covered employee, spouse, dependent, or representative of the qualified beneficiary to notify the Employer Plan Administrator of a final divorce or a dependent child ceasing to be a dependent child under the terms of the group health plan. Notification of these events **must be made within 60 days of the date of the event or from the date of loss of coverage**. Notification must be made in accordance with the reasonable notification procedures that have been established by the plan administrator. These notification procedures must be described in detail in the initial “general” notification that is provided by the employer upon commencement of coverage under the plan. A failure to notify the plan within the required timelines will cause continuation coverage rights to be forfeited.

Employer COBRA Notification Requirements

If your company is COBRA eligible, you have the responsibility of providing **three** required COBRA notifications to plan participants. The first being provided when coverage under the plan commences, the second when a COBRA qualifying event actually occurs, and third if a determination is made that continuation coverage is not available. If you would like these notices in Word format, please contact EPK & Associates, Inc.

1. Initial “General” COBRA Notification

You are required to provide each *covered* employee and *covered* spouse with written notification of their rights and obligations under COBRA when they first become covered under the Trust health care plans or within 90 days of the start of that coverage. For more information on when coverage under the plan commences, see **When Coverage Starts** in this manual.

Single Notice Rule: You may satisfy the requirement to provide notice to a covered employee and the covered employee’s spouse by furnishing a single notice addressed to both the covered employee and the covered employee’s spouse, if, on the basis of the most recent information available to you, the spouse resides at the same location as the covered employee. **If a covered spouse lives at a different address or if the spouse’s coverage under the plan commences after the date on which the covered employee’s coverage commences, then a separate notice would have to be provided to the covered spouse at that time.** For example, if a single employee marries and adds the new spouse to the group health plan according to health care plan rules, then an initial general notice must be sent to the covered spouse at that time.

Model Notice. Contained in this section is a model notice that is intended to assist you in discharging the notice obligations of this section. The model reflects US Department of Labor notification requirements. In order to use the model notice, you must appropriately add relevant information where indicated in the model notice, select among alternative language, and supplement the model notice to reflect applicable plan provisions. Items of information that are not applicable to a particular plan may be deleted.

Reasonable Employee/Qualified Beneficiary Notification Procedures. As stated above, it is the responsibility of the qualified beneficiary to notify the plan administrator of a final divorce or if a covered dependent child is ceasing to be eligible for coverage under the terms of the plan. **Failure to provide notice within the required time frame of 60 days will result in loss of eligibility for group health insurance continuation coverage.** However, it is your responsibility in the Initial “General” COBRA Notification to establish reasonable procedures for the qualified beneficiary to follow when making this notification. At a minimum, your reasonable procedures should specify the individual or entity designated to receive such notices; specify the means by which notice may be given; and describe the information concerning the qualifying event that you deem necessary in order to provide continuation coverage.

2. COBRA “Election” Notification—“Notice of Right to Continue Group Health Insurance Coverage”

You are required to provide each *covered* employee, *covered* spouse, and *covered* dependent with written notification of their rights to elect to continue and pay for their group health insurance continuation coverage when a qualifying event occurs.

Timing: A COBRA election notice shall be provided to *each* qualified beneficiary not later than 44 days after the date of the qualifying event, or, if the loss of coverage date is being used as the qualifying event date, then not later than 44 days from the loss of coverage date.

Special notice rule: The notice shall be furnished to each qualified beneficiary or individual, except that an administrator may provide notice to a covered employee, the covered employee's spouse, and each qualified beneficiary who is the dependent child of a covered employee by furnishing a single notice addressed to both the covered employee and the covered employee's spouse, if, on the basis of the most recent information available to you, the covered employee's spouse and dependent child(ren) reside at the same location as the covered employee.

The notice shall be written in a manner calculated to be understood by the average plan participant and should clearly identify each qualified beneficiary who is recognized by the plan as being entitled to elect continuation coverage with respect to the qualifying event.

Model notice. Contained in this section is a model notice that is intended to assist you in discharging the notice obligations of this section. Use of the model notice is not mandatory. The model reflects US Department of Labor notification requirements. In order to use the model notice, you must appropriately add relevant information where indicated in the model notice, select among alternative language, and supplement the model notice to reflect applicable plan provisions. Items of information that are not applicable to a particular plan may be deleted.

3. Notice of Unavailability of Continuation Coverage

In the event you are not notified of a final divorce or a dependent child ceasing to be a dependent child under the terms of the group health plan within the 60 days as required by plan and COBRA rule, a determination can be made that the individual is not entitled to continuation coverage because of their failure to follow the reasonable notification procedures. If continuation coverage is not going to be offered, you shall provide to the individual an explanation as to why the individual is not entitled to elect continuation coverage. Notice shall be furnished in the same time period that would apply if you had determined the individual was entitled to elect continuation coverage.

Employer COBRA Qualifying Event Notification Procedures

Once you have determined a qualifying event has occurred, the following steps must be taken.

1. Termination of Health Insurance—Retroactive Reinstatement

You are *required* to cancel coverage of a qualified beneficiary from active group coverage by providing to EPK & Associates a completed *Change Transmittal* form. If a qualified beneficiary has a claim that occurs after the loss of coverage date, it will not be considered an eligible expense and will be denied payment. However, if the qualified beneficiary elects **and pays** for continuation coverage in the appropriate time periods, then their group health insurance under the Trust will be reactivated by EPK & Associates back to the loss of coverage date. Any valid claims will be released for payment as long as the former employer has also paid their group's current amount due.

2. COBRA Election Notice Procedures

As described in the ***Employer COBRA Notification Requirements*** section, you are required to provide each qualified beneficiary within 44 days of a qualifying event:

- *COBRA Election Notice—Notice of Right To Continue Group Health Insurance Coverage (Model COBRA Continuation Coverage Election Notice)*
- *Continuation Coverage (COBRA) Election form*

A model *Notice of Right To Continue Group Health Insurance Coverage and Continuation Coverage Election* form are included in this section. If a qualified beneficiary wishes to elect to continue their group health insurance, the *Continuation Coverage Election* form is sent directly by the qualified beneficiary to EPK & Associates for processing.

Mail the notice and election form to the qualified beneficiary's last known address via first class mail, certified mail or certificate of mailing. If a qualified beneficiary lives at a different address than the covered employee, for example; because of a divorce or a dependent ceasing to be a dependent, then the notice is to be sent to that address.

Failure to send the notice within the 44-day COBRA notification period can have severe consequences for your firm. Additionally, failure by an employer to timely provide a COBRA notice does not terminate a qualified beneficiary's right to continuation of group health coverage. However, such a failure will eliminate any obligation on the part of the Trust and/or its insurance carriers to provide this continuation coverage under the plan. This effectively means that the firm will self-fund any claims the qualified beneficiary incurs.

3. Employer Administration Fundamentals

To insure that the employer properly administers their responsibilities under COBRA and to prevent against errors, it is recommended by federal regulators that the employer take the following administration steps.

- Establish Written COBRA Standard Operating Procedures (SOPS)
- Document all notifications (who, what, where, why, and how)
- Train all personnel involved in administration of COBRA
- Establish an audit system to insure all notices were sent in a timely manner
- Periodically review all COBRA notifications to insure they are updated in a timely manner

COBRA Election Period

A qualified beneficiary must elect continuation of group health insurance coverage by returning a completed and **signed** *Continuation Coverage Election* form to EPK & Associates within 60 days after the later of:

- the date he or she is sent the *Notice of Right to Continue Group Health Insurance Coverage* (as long as that notice is sent within the required timeframe), or
- the date coverage under the Trust health plan ends

Elections are deemed made on the date the Election Form is sent to EPK & Associates. If a qualified beneficiary fails to elect continuation coverage during the 60-day election period, he or she will no longer be eligible to continue their group health insurance coverage. **No late COBRA elections will be accepted.**

Example: An unmarried employee without children who is receiving coverage under a Trust health plan voluntarily terminates employment on January 1, 2004. The *Notice of Right To Continue Group Health Insurance Coverage* is sent by you on January 15, 2004, but coverage under the Trust does not end until January 31, 2004. In this example, the qualified beneficiary would have 60 days to elect continuation coverage from January 31, 2004 since this is the later of the two dates. However, if you did not send the *Notice of Right To Continue Group Health Insurance Coverage* until February 5, 2004, then the qualified beneficiary would have 60 days from February 5, 2004 since February 5th is now the later of the two dates.

Duration of Continued Group Health Insurance

How Long will Continuation Last?

In the case of loss of coverage due to end of employment or reduction in hours of employment, coverage may be continued for up to 18 months. In the case of losses of coverage due to an employee's death, final divorce, or a dependent child ceasing to be a dependent under the terms of the Plan, coverage may be continued for up to 36 months. Page one of this notice shows the maximum period of continuation coverage available to the listed qualified beneficiaries.

Continuation coverage will be terminated before the end of the maximum period if any required premium is not paid on time, if a qualified beneficiary becomes covered under another group health plan that does not impose any pre-existing condition exclusion for a pre-existing condition of the qualified beneficiary, if a covered employee enrolls in Medicare, or if the employer ceases to provide any group health plan for its employees. Continuation coverage may also be terminated for any reason the Plan would terminate coverage of a participant or beneficiary not receiving continuation coverage (such as fraud).

Group Health Insurance “COBRA” Payments

Qualified beneficiaries who elect to continue their group health insurance must pay the full cost of the group health insurance coverage, plus a 2% administration fee. All payments are made by the qualified beneficiary directly to EPK & Associates.

For current continuation coverage rates, contact EPK & Associates at (425) 641-7762 or (800) 545-7011 ext 5 (toll-free)

Once a qualified beneficiary elects continuation coverage by sending the election form to EPK & Associates, they must pay their initial continuation coverage payment within 45 days of the date they elected continuation coverage. This payment is to cover the initial rate months - the period from the date coverage under the Trust plans ends through the 45th day after coverage is elected. If payment is not made within this 45-day period, then rights to continuation coverage are lost and any claims occurring after the loss of coverage date will remain unpaid.

After this initial payment, monthly payments are due on the first of each month for that month's coverage. Checks for payments should be made out to the “**MBA/MBA Trust**” and sent to:

MBA Group Insurance Trust
c/o EPK & Associates, Inc.
15375 SE 30th Pl, #380
Bellevue, WA 98007

The qualified beneficiary has a 30-day grace period following the monthly due date in which to make full payments. Delinquent notices are not provided to the qualified beneficiary. If payments are not postmarked within the grace period, coverage will be canceled retroactively to the last day of the month for which full monthly payment was made.

Note: Once canceled, continuation coverage can not be reinstated.

EPK & Associates' Responsibilities

EPK & Associates takes the responsibility for the following continuation coverage related duties for your firm:

- Once the qualified beneficiary elects to continue, process the Continuation Coverage Election form
- Denying late COBRA elections and communicating with qualified beneficiary
- Providing monthly billing statements to continuation coverage participants (not required by law)
- Processing and collecting COBRA payments
- Forwarding eligibility and enrollment information to the applicable insurance companies
- Reinstating group health insurance coverage
- Answering all qualified beneficiary written and telephone inquiries
- Terminating continuation coverage when applicable
- Notifying qualified beneficiaries of termination of coverage
- Notification of premium changes
- Notification of plan changes
- Processing open enrollment changes
- Notifying qualified beneficiaries of conversion rights upon expiration of coverage
- Processing second qualifying events
- Administering continuation coverage disability extensions
- Notification of early COBRA termination

When COBRA Coverage Ends

Please refer to the benefits booklet for information on cancellation of COBRA coverage.

Please see the ***When You Are No Longer Eligible For Coverage*** section in the benefits booklet for information on conversion plans available when your COBRA continuation ends.

Warning: this is a model of the notice that the employer must provide to qualified beneficiaries who become covered. This notice must be adapted to the specific circumstances of the employer. Neither the MBA Group Insurance Trust Program nor EPK & Associates, Inc. represents or warrants that the notice satisfies the requirements of COBRA. The employer should consult with its employee benefits counsel before using this model as the basis for its own notice.

This is a model notice to be typed on your company letterhead

MODEL GENERAL NOTICE OF COBRA CONTINUATION COVERAGE RIGHTS

**** CONTINUATION COVERAGE RIGHTS UNDER COBRA****

Introduction

You are receiving this notice because you have recently become covered under the MBA Group Insurance Trust Program. This notice contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Plan. The right to COBRA continuation coverage was created by a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA continuation coverage can become available to you and to other members of your family who are covered under the Plan when you would otherwise lose your group health coverage. 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 it. This notice gives only a summary of your COBRA continuation coverage rights. For more information about your rights and obligations under the Plan and under federal law, you should either review the Plan's Summary Plan Description or get a copy of the Plan Document from the Plan Administrator.

The Plan Administrator is [enter name, address and telephone number of Group]. The Plan Administrator is responsible for administering COBRA continuation coverage.

COBRA Continuation Coverage

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this notice. COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." A qualified beneficiary is someone who will lose coverage under the Plan because of a qualifying event. Depending on the type of qualifying event, employees, spouses of employees, and dependent children of employees may be qualified beneficiaries. 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:

- (1) Your hours of employment are reduced, or
- (2) 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 happen:

- (1) Your spouse dies,
- (2) Your spouse's hours of employment are reduced,
- (3) Your spouse's employment ends for any reason other than his or her gross misconduct, or
- (4) You become divorced from your spouse.

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

- (1) The parent-employee dies,
- (2) The parent-employee's hours of employment are reduced,
- (3) The parent-employee's employment ends for any reason other than his or her gross misconduct,
- (4) The parents become divorced, or
- (5) The child stops being eligible for coverage under the plan as a "dependent child."

For dependent qualifying events (divorce of the employee and spouse or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator. The Plan requires you to notify the Plan Administrator within 60 days after the qualifying event occurs. You must send this notice to: *[Enter name and address of group]. [Add description of any additional Plan procedures for this notice, including a description of any required information or documentation, whether it should be in writing, etc.]*

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. For each qualified beneficiary who elects COBRA continuation coverage, COBRA continuation coverage will begin on the date that Plan coverage would otherwise have been lost.

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the death of the employee, your divorce, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to 36 months.

When the qualifying event is the end of employment or reduction of the employee's hours of employment, COBRA continuation coverage lasts for up to 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 at any time during the first 60 days of COBRA continuation coverage and you notify the Trust Administrator (EPK & Associates, Inc.) in a timely fashion, you and your entire family can receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. You must make sure that the Trust Administrator is notified of the Social Security Administration's determination within 60 days of the date of the determination and before the end of the 18-month period of COBRA continuation coverage. A copy of the determination letter from the Social Security Administration **must** be sent with the written notice.

This notice should be sent to:

EPK & Associates, Inc.
15375 SE 30th Pl, Suite 380
Bellevue, WA 98007

Second Qualifying Event Extension of 18-Month Period of Continuation Coverage

If your family experiences another qualifying event while receiving COBRA continuation coverage, the spouse and dependent children in your family can get additional months of COBRA continuation coverage, up to a maximum of 36 months. This extension is available to the spouse and dependent children if the former employee dies, or gets divorced. The extension is also available to a dependent child when that child stops being eligible under the Plan as a dependent child. In all of these cases, you must make sure that the Trust Administrator is notified of the second qualifying event within 60 days of the second qualifying event. This notice must be sent to EPK & Associates, Inc. at the address above in writing.

If You Have Questions

If you have questions about your COBRA continuation coverage, you should contact EPK & Associates, Inc. at 1-800-545-7011, or you may contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA). Addresses and phone numbers of Regional and District EBSA offices are available through EBSA's website at www.dol.gov/ebsa.

Keep Your Plan Informed of Address Changes

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

Warning: this is a model of the notice that the employer must provide to qualified beneficiaries who are entitled to elect COBRA coverage. This notice must be adapted to the specific circumstances of the employer. Neither the MBA Group Insurance Trust Program nor EPK & Associates, Inc. represents or warrants that the notice satisfies the requirements of COBRA. The employer should consult with its employee benefits counsel before using this model as the basis for its own notice.

This is a model notice to be typed on your company letterhead

MODEL COBRA CONTINUATION COVERAGE ELECTION NOTICE

[Enter date of notice]

Dear [enter name of employee, spouse, dependent children, as appropriate]:

This notice contains important information about your right to continue your health care coverage in the MBA Group Insurance Trust.

Please read the information contained in this notice very carefully. This notice provides important information concerning your rights and what you have to do to continue your health care coverage under the Plan. If you have any questions concerning the information in this notice or your rights to coverage, you should contact the Trust Administrator, EPK & Associates, 15375 SE 30th Place #380, Bellevue, WA 98007, 1-800-545-7011.

If you do not elect to continue your health care coverage by completing the enclosed Election Form and returning it to the Trust Administrator, your coverage under the Plan will end on [enter date] due to:

- End of employment
- Death of employee
- Reduction in hours of employment
- Divorce
- Loss of dependent coverage

Each of the following persons is entitled to elect to continue health care coverage under the Plan:

- Employee – [enter name]
- Spouse (or former spouse of employee) – [enter name]
- Dependent children – [enter name(s)]

Because of the event checked above that will end your coverage under the Plan, you (and/or, as appropriate, your spouse and dependent children) are entitled to continue your health care coverage for up to [enter 18 or 36, as appropriate] months. If you elect to continue your coverage under the Plan, your continuation coverage will begin on the first of the month following your loss of coverage and can last until [enter date].

Your continuation coverage will cost: [enter amount each qualified beneficiary would be required to pay for each option per month of coverage and any other permitted coverage periods].

IMPORTANT – To elect continuation coverage you MUST complete the enclosed Election Form and return it to:

**MBA Group Insurance Trust
15375 SE 30th Place #380
Bellevue, WA 98007**

The completed Election Form must be postmarked by **[enter date]**. If you do not submit a completed Election Form by this date, you will lose your right to elect continuation coverage. Important information about your rights is provided to you on the following pages.

IMPORTANT INFORMATION ABOUT YOUR COBRA CONTINUATION COVERAGE RIGHTS

What Is Continuation Coverage?

Federal law requires that most group health plans (including this Plan) give employees and their families the opportunity to continue their health care coverage when there is a “qualifying event” that would result in a loss of coverage under an employer’s plan. Depending on the type of qualifying event, “qualified beneficiaries” can include the employee covered under the group health plan, a covered employee’s spouse, and dependent children of the covered employee.

Continuation coverage is the same coverage that the Plan gives to other participants or beneficiaries under the Plan who are not receiving continuation coverage. Each qualified beneficiary who elects continuation coverage will have the same rights under the Plan as other participants or beneficiaries covered under the Plan, including open enrollment and special enrollment rights. The persons listed on page one of this notice have been identified by the Plan as qualified beneficiaries entitled to elect continuation coverage. Specific information describing continuation coverage can be found in the Plan’s Summary Plan Description (SPD), which can be obtained from EPK & Associates, 15375 SE 30th Place #380, Bellevue, WA 98007, 1-800-545-7011.

How Long Will Continuation Last?

In the case of loss of coverage due to end of employment or reduction in hours of employment, coverage may be continued for up to 18 months. In the case of losses of coverage due to an employee’s death, final divorce, or a dependent child ceasing to be a dependent under the terms of the Plan, coverage may be continued for up to 36 months. Page one of this notice shows the maximum period of continuation coverage available to the listed qualified beneficiaries.

Continuation coverage will be terminated before the end of the maximum period if any required premium is not paid on time, if a qualified beneficiary becomes covered under another group health plan that does not impose any pre-existing condition exclusion for a pre-existing condition of the qualified beneficiary, if a covered employee enrolls in Medicare, or if the employer ceases to provide any group health plan for its employees. Continuation coverage may also be terminated for any reason the Plan would terminate coverage of a participant or beneficiary not receiving continuation coverage (such as fraud).

How Can You Extend the Length of Continuation Coverage Beyond 18 Months?

If you elect continuation coverage, an extension of the maximum period of 18 months of coverage may be available if a qualified beneficiary is disabled or a second qualifying event occurs. You must notify EPK & Associates in writing of a disability or a second qualifying event in order to extend the period of continuation coverage. Failure to provide notice of a disability (including a copy of the Social Security determination letter) or second qualifying event may affect the right to extend the period of continuation of coverage.

Disability

An 11-month extension of coverage may be available, beyond the original 18 months, if any of the qualified beneficiaries is disabled. The Social Security Administration (SSA) must determine that the qualified beneficiary was disabled at some time during the first 60 days of continuation coverage, and you must notify EPK & Associates of that fact within 60 days of the SSA's determination and before the end of the first 18 months of continuation coverage. All of the qualified beneficiaries listed on page one of this notice who have elected continuation coverage will be entitled to the 11-month disability extension if one of them qualifies. If the qualified beneficiary is determined by SSA to no longer be disabled, you must notify EPK & Associates of that fact within 30 days of SSA's determination. A copy of the determination should accompany this notice.

Second Qualifying Event

An 18-month extension of coverage will be available to spouses and dependent children who elect continuation coverage if a second qualifying event occurs during the first 18 months of continuation coverage. The maximum amount of continuation coverage available when a second qualifying event occurs is 36 months. Such second qualifying events include the death of a covered employee, divorce from the covered employee, or a dependent child's ceasing to be eligible for coverage as a dependent under the Plan. You must notify EPK & Associates within 60 days after a second qualifying event occurs.

How Can You Elect Continuation Coverage?

Each qualified beneficiary listed on page one of this notice has an independent right to elect continuation coverage. For example, both the employee and the employee's spouse may elect continuation coverage, or only one of them. Parents may elect to continue coverage on behalf of their dependent children only. A qualified beneficiary must elect coverage within 60 days of the loss of coverage or date of notice, whichever is later. Failure to do so will result in loss of the right to elect continuation coverage under the Plan. A qualified beneficiary may change a prior rejection of continuation coverage any time until that date.

In considering whether to elect continuation coverage, you should take into account that a failure to continue your group health coverage will affect your future rights under federal law. First, you can lose the right to avoid having pre-existing condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage, and election of continuation coverage may help you not have such a gap. Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such pre-existing condition exclusions if you do not get continuation coverage for the maximum time available to you. Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage ends because

of the qualifying event listed above. You will also have the same special enrollment right at the end of continuation coverage if you get continuation coverage for the maximum time available to you.

How Much Does Continuation Coverage Cost?

Each qualified beneficiary will be required to pay the entire cost of continuation coverage. The amount a qualified beneficiary will be required to pay may not exceed 102 percent of the cost of the group health plan (including both employer and employee contributions) for coverage of a similarly situated plan participant or beneficiary who is not receiving continuation coverage (or, in the case of an extension of continuation coverage due to a disability, 150 percent). The required payment for continuation coverage for the qualified beneficiaries listed on page one of this notice is described on page one.

When and How Must Payment for Continuation Coverage Be Made?

First Payment for Continuation Coverage

If you elect continuation coverage, you do not have to send any payment for continuation coverage with the Election Form. However, you must make your first payment for continuation coverage within 45 days after the date of your election. (This is the date the Election Notice is postmarked, if mailed.) If you do not make your first payment for continuation coverage within those 45 days, you will lose all continuation coverage rights under the Plan.

Your first payment must cover the cost of continuation coverage from the time your coverage under the Plan would have otherwise terminated up to the time you make the first payment. You are responsible for making sure that the amount of your first payment is enough to cover this *entire* period. You may contact EPK & Associates at 1-800-545-7011 to confirm the correct amount of your first payment.

Your first payment for continuation coverage should be sent to:

MBA Group Insurance Trust
15375 SE 30th Place #380
Bellevue, WA 98007

Periodic Payments for Continuation Coverage

After you make your first payment for continuation coverage, you will be required to pay for continuation coverage for each subsequent month of coverage. Under the Plan, these periodic payments for continuation coverage are due on the first of every month. If you make a periodic payment on or before its due date, your coverage under the Plan will continue for that coverage period without any break. The Plan will not send periodic notices of delinquent payments due for these coverage periods.

Periodic payments for continuation coverage should be sent to:

MBA Group Insurance Trust
15375 SE 30th Place #380
Bellevue, WA 98007

Grace Periods for Periodic Payments

Although periodic payments are due on the first of every month, you will be given a grace period of 30 days to make each periodic payment. Your continuation coverage will be provided for each coverage period as long as payment for that coverage period is made or postmarked before the end of the grace period for that payment.

However, if you pay a periodic payment later than its due date but during its grace period, your coverage under the Plan will be pended as of the due date and then retroactively advanced (going back to the due date) when the periodic payment is made. This means that any claim you submit for benefits while your coverage is pended may be denied and may have to be resubmitted once your eligibility is advanced.

If you fail to make a periodic payment before the end of the grace period for that payment, you will lose all rights to continuation coverage under the Plan.

Under the Plan, you have the right, when your group health coverage ends, to enroll in an individual health insurance policy, by providing proof of insurability and applying within 31 days of your loss of coverage. The benefits provided under such an individual conversion policy may not be identical to those provided under the Plan. You may exercise this right in lieu of electing continuation coverage, or you may exercise this right after you have received the maximum continuation coverage available to you. You should note that if you enroll in an individual conversion policy you lose your right under federal law to purchase individual health insurance that does not impose any pre-existing condition limitations when your conversion policy coverage ends.

For More Information

This notice does not fully describe continuation coverage or other rights under the Plan. More information about continuation coverage and your rights under the Plan is available in your Summary Plan Description or from the Plan Administrator. You can get a copy of your Summary Plan Description from EPK & Associates, 15375 SE 30th Place #380, Bellevue, WA 98007.

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 U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at www.dol.gov/ebsa.

Keep Your Plan Informed of Address Changes

In order to protect your family's rights, you should keep the Trust Administrator informed of any changes in addresses of family members. You should also keep a copy, for your records, of any notices you send to the Trust Administrators.