



COBRA ELECTION FORM

DIRECTIONS: Employer and employees/dependents, please read "Important Information About Your COBRA Continuation Coverage Rights" on the following pages carefully before completing.

IMPORTANT: Continuation of Coverage under the CRL health or dental insurance plan will not be permitted unless *all* COBRA notification requirements have been met. Employer's failure to provide timely notice may result in the employer's self-insuring for the required coverage. Employee/dependent's failure to provide the required notice/premium will result in the loss of coverage.

Section I: NOTICE

(To be completed by Employer)

Account Number: _____

Certificate Number: _____

Employee Name: _____

Employer: _____

Name of Group Health Plan ("Plan") _____

Name of Authorized Representative: _____

(Please Print Clearly)

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|---|
| <p>DATE OF EMPLOYER'S NOTICE TO EMPLOYEE/DEPENDENT: _____ (month) (day) (year)</p> <p>DATE EMPLOYEE/DEPENDENT NOTIFIED EMPLOYER OF QUALIFYING EVENT: _____ (month) (day) (year)</p> <p>DATE COVERAGE HAS ENDED OR WILL END IF COBRA COVERAGE NOT TAKEN: _____ (month) (day) (year)</p> <p>PLEASE STATE BELOW THE NUMBER OF EMPLOYEES THAT YOUR COMPANY EMPLOYED ON 50% OF THE WORKING DAYS IN THE PREVIOUS CALENDAR YEAR (January through December). TOTAL NUMBER OF EMPLOYEES: _____ TOTAL NUMBER OF PART-TIME EMPLOYEES: _____ TOTAL NUMBER OF FULL-TIME EMPLOYEES: _____</p> |
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 (Signature of Employer/Representative and Title)

 (Date)

WHEN COMPLETED AND GIVEN TO THE EMPLOYEE/DEPENDENT, THIS FORM WILL SERVE AS NOTICE OF THE RIGHT TO CONTINUE THE **GROUP HEALTH OR DENTAL COVERAGE** UNDER THE EMPLOYER'S GROUP POLICY, ENTIRELY AT THE EMPLOYEE'S/DEPENDENT'S OWN EXPENSE.

IMPORTANT INFORMATION FOR EMPLOYER AND CONTINUEE:

Employee Continuation: The employer must notify the employee of the right to continue group health or dental coverage within 14 days after the qualifying event.

Dependent Continuation: The employee/dependent must notify the employer within 60 days of a dependent's qualifying event. The employer must then notify that dependent of his/her right to continue coverage within 14 days of the date the employer was notified.

Electing to Continue Coverage: The employee/dependent must complete Section II of this form and send it to CRL's Home Office at the above address. This Election Form must be **received** by CRL within 60 days of the latter of: 1) the DATE OF THE EMPLOYER'S NOTICE TO EMPLOYEE/DEPENDENT (see above); 2) the date that coverage is lost under the terms of the health insurance plan; or 3) the qualifying event. In the event the employee is receiving trade adjustment assistance under the Federal Trade Act, and COBRA coverage is not elected within the initial 60-day period, a second 60-day election period will begin on the first day of the month in which the individual begins receiving trade adjustment assistance.

Premium Instructions: Following receipt of the completed Election Form, CRL will send the employee/dependent instructions on submitting the required premium. The initial premium payment must be received at CRL's Home Office by the 45th day following the DATE OF ELECTION. The initial payment must include all premium due from the date of the qualifying event to the current date. All future premium **must** be submitted through the employer. Premiums are subject to change if the employer's rate changes.

If you do not submit a completed Election Form by the due date shown above, you will lose your right to elect COBRA continuation coverage. If you reject COBRA continuation coverage before the due date, you may change your mind as long as you furnish a completed Election Form before the due date. However, if you change your mind after first rejecting COBRA continuation coverage, your COBRA continuation coverage will begin on the date you furnish the completed Election Form.

Read the important information about your rights included in the pages after the Election Form.

EMPLOYER, please check the reason(s) for COBRA continuation of coverage “Qualifying Event.”

- 1. Employee’s death
- 2. Termination due to disability
- 3. Reduction of hours due to disability
- 4. Divorce or legal separation (submit copy of decree)
- 5. Employee becoming entitled to (covered by) Medicare
- 6. Dependent child’s loss of dependent status
- 7. The Employer’s filing for a Chapter 11 Bankruptcy petition.

What was the date of the “Qualifying Event”?

 (Insert the date that the event checked at left occurred, e.g., date of employee’s termination; birthdate of dependent losing status, etc.)

Check here if the individual is receiving trade adjustment assistance under the Federal Trade Act:

Date assistance began: _____

Each person (“qualified beneficiary”) in the category(ies) checked below is entitled to elect COBRA continuation coverage, which will continue group health care coverage under the Plan for up to either 18 or 36 months. (See information on your rights on the following pages.)

- Employee or former employee
- Spouse or former spouse
- Dependent child(ren) covered under the Plan on the day before the event that caused the loss of coverage
- Child who is losing coverage under the Plan because he or she is no longer a dependent under the Plan.

Section II: ELECTION

(To be completed by continuee – Employee or Dependent)

- No, I do **not** wish to continue my health coverage.
- No, I do **not** wish to continue my dental coverage.
- Yes, I do wish to continue health coverage in _____ (“Plan”) for:

(PLEASE PRINT – names of all persons to be covered, including yourself, spouse and Dependent children.)

| <u>Name</u> | <u>Relationship</u> | <u>Social Security Number</u> | <u>Date of Birth</u> |
|-------------|---------------------|-------------------------------|----------------------|
| 1. _____ | _____ | _____ | _____ |
| 2. _____ | _____ | _____ | _____ |
| 3. _____ | _____ | _____ | _____ |
| 4. _____ | _____ | _____ | _____ |

- Yes, I do wish to continue dental coverage for:

(PLEASE PRINT – names of all persons to be covered, including yourself, spouse and Dependent children.)

| <u>Name</u> | <u>Relationship</u> | <u>Social Security Number</u> | <u>Date of Birth</u> |
|-------------|---------------------|-------------------------------|----------------------|
| 1. _____ | _____ | _____ | _____ |
| 2. _____ | _____ | _____ | _____ |
| 3. _____ | _____ | _____ | _____ |
| 4. _____ | _____ | _____ | _____ |

 (Employee’s/Dependent’s Signature)

 Date Signed (“Date of Election”)

 (Employee’s/Dependent’s Printed Name)

 Relationship to individual(s) listed above

Address: _____

Telephone Number: _____

If you have any questions about this coverage or your rights to COBRA continuation coverage, contact your plan administrator or CRL’s Home Office at the address and phone number shown on the reverse side.

For Office Use Only

CRDA: _____

IMPORTANT INFORMATION ABOUT YOUR COBRA CONTINUATION COVERAGE RIGHTS

As a courtesy to its participating employers that are subject to the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), Central Reserve Life Insurance Company (CRL) makes available continuation of coverage to COBRA-eligible employees and qualifying dependents. CRL does not have, nor does it assume, any responsibility for the employer's compliance with COBRA, including, but not limited to, assuming any duties as a "plan administrator" nor a fiduciary. Employers, as the plan sponsors, are the plan administrators for the purposes of COBRA and ERISA.

PENALTIES FOR NON-COMPLIANCE WITH COBRA ARE EXTREMELY SEVERE. EMPLOYERS ARE STRONGLY ADVISED TO SEEK THE ADVICE OF LEGAL COUNSEL TO DETERMINE WHETHER COBRA APPLIES TO THEM AND HOW TO COMPLY WITH COBRA.

The following information generally incorporates applicable sections of COBRA and CRL's procedures that must be followed if an eligible employee and/or dependent wishes to continue coverage under COBRA. These instructions have been prepared solely for informational purposes in order to make employers aware of CRL's procedures as they relate to COBRA and should not be taken as legal advice. An employer with questions regarding COBRA or a legal aspect of this information should contact its attorney.

What is continuation coverage?

Federal law requires that most group health plans give employees and their families the opportunity to continue their health coverage when there is a "qualifying event" that would result in a loss of coverage under an employer's group health plan ("Plan"). Depending on the type of qualifying event, "qualified beneficiaries" can include the employee (or retired employee) covered under the Plan, the covered employee's spouse, and the 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 special enrollment rights.

The group health insurance coverage available to COBRA-eligible employees and dependents will be the same as the coverage provided for other employees covered under the employer's Plan. However, no coverage will be available for Life Insurance, AD&D Insurance or Weekly Income benefits. The group dental insurance available to COBRA-eligible employees and dependents will be the same as the coverage provided for other employees covered under the employer's Plan.

How long will continuation coverage last?

In the case of a loss of coverage due to end of employment or reduction in hours of employment, coverage generally may be continued only for up to a total of 18 months. In the case of losses of coverage due to an employee's death, divorce or legal separation, the employee's becoming entitled to Medicare benefits or a dependent child ceasing to be a dependent under the terms of the Plan, coverage may be continued for up to a total of 36 months. When the qualifying event is the end of employment or reduction of the employee's hours of employment, and the employee became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than the employee lasts until 36 months after the date of Medicare entitlement. This notice shows the maximum period of continuation coverage available to the qualified beneficiaries.

Continuation coverage will be terminated before the end of the maximum period if:

- any required premium is not paid in full on time;
- a qualified beneficiary becomes covered, after electing continuation coverage, under another group health plan that does not impose any preexisting condition exclusion for a preexisting condition of the qualified beneficiary;
- a covered employee becomes entitled to Medicare benefits (under Part A, Part B, or both) after electing continuation coverage; or
- 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 the length of COBRA continuation coverage be extended?

If continuation coverage is elected, an extension of the maximum period of coverage may be available if a qualified beneficiary is disabled or a second qualifying event occurs. The employer and CRL's Home Office must be notified of a disability or a second qualifying event in order to extend the period of continuation coverage. Failure to provide notice of a disability or second qualifying event may affect the right to extend the period of continuation coverage.

Disability

An 11-month extension of coverage may be available if any of the qualified beneficiaries is determined by the Social Security Administration (SSA) to be disabled. The disability has to have started at some time before the 60th day of COBRA continuation and must last at least until the end of the 18-month period of continuation coverage. Each qualified beneficiary who has 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, the employer and CRL's Home Office must be notified of that fact within 30 days after SSA's determination.

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 event may include the death of a covered employee, divorce or separation from the covered employee, the covered employee's becoming entitled to Medicare benefits (under Part A, Part B, or both), or a dependent child's ceasing to be eligible for coverage as a dependent under the Plan. These events can be a second qualifying event only if they would have caused the qualified beneficiary to lose coverage under the Plan if the first qualifying event had not occurred. The employer and CRL's Home Office must be notified within 60 days after a second qualifying event occurs if an extension of continuation coverage is desired.

Bankruptcy

In the case of bankruptcy under Chapter 11 petition, COBRA must be offered to all retirees and spouses and dependents whose coverage is substantially reduced within a year, either before or after the filing of the bankruptcy petition. Retirees and widows or widowers of retirees who died before the filing of the bankruptcy are entitled to lifetime COBRA coverage as long as the health plan is continued.

If a retiree who elected COBRA dies sometime after the Chapter 11 filing, his or her surviving spouse and dependent children who were covered on the day before the date of death under COBRA may elect an additional thirty-six (36) months of COBRA.

How is COBRA continuation coverage elected?

Employers are responsible for sending the initial COBRA notification to all eligible employees, including new hires, and their family members, once an employer-provided group health plan becomes subject to COBRA. The initial notice should be sent to the employee's home address, addressed to both the employee and spouse, either by first class mail, certified mail, express mail or electronically.

The employer must notify COBRA-eligible employee(s) and/or eligible dependents of their rights to purchase continuation of coverage within 14 days after:

- the employee's termination of employment other than for gross misconduct;
- the employee's reduction of hours (either voluntarily or involuntarily);
- the employee's death;
- the employee's becoming entitled to coverage under Medicare; or
- the employer files for a Chapter 11 bankruptcy petition, in the case of retirees.

The employer must notify COBRA-related employee(s) and/or eligible dependents of their rights to purchase continuation of coverage within 14 days of the employer being notified by the employee or dependent of:

- divorce or legal separation; or
- an employee's insured dependent child no longer meets the definition of an eligible dependent.

The employee and/or his or her covered dependents must notify the employer within 60 days of the occurrence of any of the following qualifying events:

- divorce or legal separation;
- when an insured dependent no longer meets the Plan definition of an eligible dependent;
- the occurrence of a second qualifying event;
- a determination of disability by the SSA; and
- a determination has been made by the SSA that a beneficiary is no longer disabled.

To elect continuation of coverage, the qualified beneficiary must complete the COBRA Election Form and furnish it according to the directions on the form. Each qualified beneficiary has a separate right to elect continuation coverage. For example, the employee's spouse may elect continuation coverage even if the employee does not. Continuation coverage may be elected for only one, several, or for all dependent children who are qualified beneficiaries. A parent may elect to continue coverage on behalf of any dependent children. The employee or the employee's spouse can elect continuation coverage on behalf of all of the qualified beneficiaries.

The employer must complete the upper portion of the **COBRA Election Form** and forward two copies to the employee and/or dependents for completion. The employer should retain a copy for its files. The COBRA-eligible employee and/or the eligible dependents must complete the form and return it to CRL's Home Office within sixty (**60**) days of the date that the employer notified them of their right to elect to continue coverage.

An individual receiving trade-adjustment assistance under the Federal Trade Act who fails to elect COBRA coverage during the initial sixty (60) day period shown above is eligible for a second sixty (60) day election period. Such period will begin on the first day of the month in which the individual begins receiving trade-adjustment assistance. However, election must be made within six (6) months of the initial loss of group health plan coverage.

In considering whether to elect continuation coverage, the qualified beneficiary should take into account that a failure to continue group health coverage will affect future rights under federal law. First, the right to avoid having preexisting condition exclusions applied by other group health plans can be lost if there is more than a 63-day gap in health coverage, and election of continuation coverage may help to not have such a gap. Second, the guaranteed right to purchase individual health insurance policies that do not impose such preexisting condition exclusions will be lost if continuation coverage is not elected for the maximum time available. Finally, special enrollment rights exist under federal law. The qualified beneficiary has the right to request special enrollment in another group health plan for which he or she is otherwise eligible (such as a plan sponsored by a spouse's employer) within 30 days after group health coverage ends because of a qualifying event listed above. The same special enrollment exists right at the end of continuation coverage, if continuation is obtained for the maximum time available.

How much does COBRA continuation coverage cost?

Generally, each qualified beneficiary may be required to pay the entire cost of continuation coverage. The amount a qualified beneficiary may be required to pay may not exceed 102 percent (or, in the case of an extension of continuation coverage due to disability, 150 percent) of the cost to 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.

The Trade Act of 2002 created a new tax credit for certain individuals who become eligible for trade adjustment assistance and for certain retired employees who are receiving pension payments from the Pension Benefit Guaranty Corporation (PBGC). These individuals are referred to as "eligible individuals". Under the new tax provisions, eligible individuals can either take a tax credit or get advance payment of 65% of premiums paid for qualified health insurance, including continuation coverage. Questions about these new tax provisions may be directed to the Health Coverage Tax Credit Customer Contact Center toll-free at 1-866-628-4282. TTD/TTY callers may call toll-free at 1-866-626-4282. More information about the Trade Act is also available at www.doleta.gov/tradeact/2002act_index.asp.

When and how must payment for COBRA continuation coverage be made?

The employee is not required to send any payment with the COBRA Election Form. However, CRL must receive the initial payment by the forty-fifth (**45**) day following the eligible person's election to continue coverage. Payment must include all applicable premium due from the date of the Qualifying Event to the then current date. All future premium will be billed on the employer's group premium billing statement at the usual group health premium rate unless the employee is disabled, in which case, premium will be billed at **150%**.

The COBRA-eligible employee and/or dependents are responsible for submitting the amount of their premium to the employer prior to the due date. The employer must advise them of the latest date that premium can be accepted each month after the initial payment of premium. CRL will accept premium payments only from the employer.

FAILURE OF THE EMPLOYER TO ASSURE THAT CRL IS PROMPTLY NOTIFIED OF THE ELECTION BY THE EMPLOYEE/DEPENDENT OF COBRA BY THE DATES PROVIDED HEREIN MAY RESULT IN CRL'S DENYING COVERAGE. IF SUCH A DENIAL DOES OCCUR, THE EMPLOYER MAY BE HELD LIABLE FOR ANY MEDICAL EXPENSES INCURRED BY THE FORMER EMPLOYEE/DEPENDENT.

In the event that continuation of coverage is terminated by CRL because the premium has not been paid when due, CRL will not reinstate coverage. The employer may have further liability under COBRA if coverage has been terminated for this reason, but through no fault of the insured employee and/or dependents.

If the employer discontinues coverage, or if the plan is discontinued by CRL for any reason, including but not limited to, participation, all coverage will cease, including COBRA continuees.

Grace period for periodic payments

Although periodic payments are due on the dates shown above, the employer has a 31-day grace period during which premium may be submitted. Continuation coverage will be provided for each coverage period as long as payment for that coverage period is made before the end of the grace period for that payment.

Eligibility for Conversion Policy

Instead of electing the continuation of coverage as provided under COBRA, or at the end of such continuation of coverage, provided that he or she is otherwise eligible, the insured employee and/or his or her dependent(s) may purchase an individual conversion policy, as set forth in the Medical Insurance Conversion section of the Policy. In addition, the insured employee and/or dependent may be eligible to apply for a state's Eligible Individual mechanism. Contact CRL's Home Office for additional information.

For more information

This notice does not fully describe continuation coverage or other rights under the Plan. More information about continuation coverage and your right under the Plan is available in your summary plan description or from the Plan Administrator.

If you have any questions concerning the information in this notice, your rights to coverage, or if you want a copy of your summary plan description, you should contact your employer or plan administrator. Additional information can also be obtained from CRL's Home Office at:

17800 Royalton Road
Cleveland, OH 44136
440-572-2400
www.centralreserve.com

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. (Addresses and phone number of Regional and District EBSA Offices are available through EBSA's website.)

Keep Your Plan Informed of Address Changes

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