



The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, as amended, allows you and your enrolled dependents the opportunity to continue coverage under the health plan at group rates when certain events occur which would otherwise cause you or your covered dependents to lose coverage. You and your enrolled dependents may continue coverage for a maximum of 18, 29, or 36 months, depending on the reason your coverage ended (see below for details). For the Health Care Reimbursement Account, you may continue participation until the end of the plan year in which you lose your benefits. Continued coverage rights apply only to health care coverage (medical, dental, vision and health care reimbursement account), not to other types of benefits (for example, life insurance and long term disability insurance).

You may extend participation for yourself and your eligible covered dependents in the plan for up to 18 consecutive months if one of the following qualifying events occurs:

- Your employment terminates for any reason other than gross misconduct, including voluntary resignation or retirement (if it causes a loss of coverage); or
- Your scheduled work hours are reduced and you become ineligible to participate in the plans.

This 18-month period may be extended to 29 months when the Social Security Administration determines that you, or another dependent covered by the group health plan at the time of termination of employment or reduction in hours, were/was disabled at any time during the first 60 days of continuation coverage and you informed the company before the end of the 18-month period. If during an 18-month or 29-month continuation coverage period another event takes place that might otherwise result in your health coverage ending, coverage may be extended for your spouse or dependents only. In no case, may the total amount of continued coverage be more than 36 months. The disabled individual must notify CRI's Operations Manager within 60 days of receiving the disability determination and within the 18-month period.

Your eligible dependents may extend their participation in the plans for up to 36 consecutive months if one of the following qualifying events occurs:

- You die while covered under the plan;
- You and your covered spouse become legally separated or divorced;
- A covered dependent child becomes ineligible under the plan;
- You become entitled to (covered by) Medicare; or
- Your employer files for Chapter 11 reorganization.

Even if coverage is not immediately lost due to your Medicare entitlement, but is later lost due to your termination of employment or reduction of hours, your spouse or dependent children may be eligible to purchase COBRA continuation coverage until the later of 36 months from the date of your Medicare entitlement or 18 months from the date of termination of employment or reduction of hours.

You and your eligible dependents have 60 days from the date coverage ends or the date of your COBRA notice, whichever is later, to elect continued participation under COBRA. Each person who is eligible for COBRA continuation may make a separate COBRA election. If COBRA coverage is not elected within the time period described above, you or the qualified beneficiary will lose the right to elect COBRA coverage. You have an additional 45 days from the date of your timely election to pay your first COBRA premium.

| COBRA CONTINUATION PERIOD  |   |           |           |
|--|---|-----------|-----------|
| Qualifying Event   | Maximum Continuation Period <sup>1, 2</sup> |           |           |
|  | Employee                                    | Spouse    | Child     |
| You lose coverage because you reduce your work hours or take unpaid leave  | 18 months                                   | 18 months | 18 months |
| You terminate employment for any reason (except gross misconduct)  | 18 months                                   | 18 months | 18 months |
| You or your dependent is disabled (as defined by Title II or XVI of the Social Security Act) during the first 60 days of continuation coverage | 29 months                                   | 29 months | 29 months |
| You die  | N/A   | 36 months | 36 months |
| You and your spouse legally separate or divorce  | N/A   | 36 months | 36 months |
| You are already on COBRA and become disabled and entitled to Medicare, which causes your dependents to lose coverage                           | N/A   | 36 months | 36 months |
| Your child no longer qualifies as an eligible dependent  | N/A   | N/A       | 36 months |

<sup>1</sup> For the Health Care Reimbursement Account, you may continue participation until the end of the plan year in which you lose your benefits.

<sup>2</sup> Medical coverage may be extended to 36 months under Cal-COBRA. This extension applies to individuals who first become eligible for federal COBRA coverage on or after January 1, 2003, who exhaust their federal COBRA coverage on or after September 1, 2003.

If you elect COBRA continuation:

- Initially, you may keep the same coverage category you had as an active employee or choose a different category. For example, if your spouse and all of your dependents were enrolled under the CRI-sponsored medical plan, you could choose to enroll all, some or none of them under COBRA.
- Coverage is effective on the date of the event that qualified you for COBRA coverage, unless you waive COBRA coverage and subsequently revoke your waiver within the 60-day election period. In that case, your coverage begins on the date you revoke your waiver.
- You may change coverage during the annual enrollment period or if you have a qualified change in status.
- You can enroll your newly eligible spouse or child under the same guidelines that apply to active employees.

## **Cost**

COBRA participants pay monthly premiums for their coverage on the following basis:

- For health care coverage, premiums are based on the full group rate per enrolled person set at the beginning of the benefit plan year, plus 2% for administrative costs. Your spouse or child who makes a separate election is charged the same rate as a single employee.
- Health Care Reimbursement Account contributions can be continued through the end of the benefit plan year on an after-tax basis, plus the 2% administrative charge.
- If you or your enrolled dependent is disabled, as defined by Social Security, COBRA premiums for months 19 through 29 may be increased to reflect 150% of the full group cost per person.

Your initial payment must be paid within 45 days after the date COBRA continuation coverage is elected. Thereafter, your monthly premium payments will be due as described in your COBRA election materials.

## **Notification Requirements**

Under the law, you or a family member has the responsibility to inform the company within 60 days of the event causing your dependents lose coverage due to divorce, legal separation, or loss of dependent status, so that COBRA can be offered and information on election rights can be mailed. Failure to give notice within 60 days will result in ineligibility for COBRA continuation coverage. Also, in order to extend coverage beyond the 18-month period because of disability, you must provide notice of the Social Security Administration's determination during the initial 18-month period and within 60 days of the date you receive your determination letter.

After being notified (or after the event, in the case of your termination of employment, reduction in hours, death, or entitlement to Medicare), you will be sent an application for COBRA continuation coverage. This application must be returned within 60 days of the date the notice was sent or the date coverage ceases, whichever occurs later.

If you do not choose continuation coverage, your group health insurance coverage will end. If you choose continuation coverage, CRI is required to give you coverage which, as of the time the coverage is being provided, is identical to the coverage provided under the plan to similarly situated employees or dependents.

## **When COBRA Ends**

COBRA coverage ends before the maximum continuation period ends in any of the following circumstances:

- You or your dependent becomes covered under another group health plan not offered by CRI after the date of your COBRA election (unless the plan has preexisting condition limitations that affect the enrolled person). A plan's preexisting condition exclusion period will be reduced by each month that you and your dependents had continuous health coverage (including COBRA continuation coverage) with no break in coverage greater than 63 days.
- You or your dependent becomes entitled to (covered by) Medicare after the date of your COBRA election (if you or your dependent is not entitled to or enrolled in Medicare, you or your dependent can continue coverage under COBRA until the maximum continuation period ends).

- You or your dependent fails to make timely monthly payments.
- After your initial 18-month period, you or your dependent ceases to be considered disabled for Social Security purposes and is not otherwise eligible for a longer continuation coverage period.
- CRI ceases to provide group health benefits to any of its employees.

If COBRA continuation coverage is elected for medical coverage and coverage ends because the maximum coverage period expires, application may be made to an individual medical policy during the 180-day period that ends on the expiration date.

COBRA continuation coverage is provided only as required by law. If the law changes, your rights will change accordingly.

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| <p><u>IMPORTANT NOTE TO INDIVIDUALS WHO BEGIN RECEIVING COBRA COVERAGE ON OR AFTER JANUARY 1, 2003 AND WHO LIVE IN CALIFORNIA:</u> Under California state law, if you exhaust your federal COBRA continuation coverage, you have the opportunity to extend the term of your federal COBRA health coverage up to 36 months (measured from the start of your federal COBRA coverage period). The cost for the additional coverage cannot exceed 110% of the applicable coverage cost of the plan for COBRA purposes. Cal-COBRA does not apply to dental-only or vision-only insurance plans. Your insurance carrier/HMO will provide you with information prior to the termination of your federal COBRA continuation coverage. Any questions pertaining to Cal-COBRA should be directed to your medical plan's member services department phone number listed on your identification card.</p> |
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