



The Town of Emerald Isle

INITIAL COBRA NOTICE

TO: All Employees Covered Under the Plan and Their Covered Spouses

FROM: The Town of Emerald Isle

RE: Continuation Coverage Requirements for Health Plans

On April 7, 1986, a Federal law was enacted [Public Law 99-272, Title X] requiring that most employers sponsoring group health 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 the law. (Both you and, if you are married and your spouse is covered by the plan, your spouse should take the time to read this Notice carefully.

If you are an employee of the Employer and covered by the Employer's group health plan (called "the plan" in this Notice), you have the right to coverage because of a reduction in your hours of employment or the termination of your employment (for reasons other than gross misconduct on your part).

If you are the spouse of an employee and you are covered by the plan, you have the right to choose continuation coverage for yourself if you lose group health coverage under the plan for any of the following four reasons:

1. The death of your spouse;
2. A termination of your spouse's employment (for reasons other than gross Misconduct) or a reduction in your spouse's hours of employment with the Employer;
3. Divorce or legal separation from your spouse;
4. Your spouse becomes entitled to Medicare.

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

1. The death of the employee;

2. The termination of the employees' employment (for reasons other than gross Misconduct) or a reduction in the employee's hours of employment with the Employer;
3. The employee's divorce or legal separation;
4. The employee becomes entitled to Medicare;
5. The dependent ceases to be a "dependent child" under the plan.

Under the law, the employee or a family member has the responsibility to inform the Plan Administrator of a divorce, of a legal separation, or of a child losing dependent status under the plan, within 60 days of the event. Failure to meet this notice requirement results in loss of continuation coverage rights. The Employer has the responsibility to notify the Plan Administrator of the employee's death, termination, reduction in hours of employment, or Medicare entitlement. (Similar rights may apply to certain retirees, spouses, and dependent children if the Employer commences a bankruptcy proceeding and these individuals lose coverage.)

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

Effective January 1, 1997, children born to, or placed for adoption with, a covered employee during a continuation coverage period also have the right to elect COBRA continuation coverage.

If you do not choose continuation coverage, your group health 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. The law requires that you be afforded the opportunity to maintain continuation coverage for 36 months unless you lost group health coverage because of a termination of employment or reduction in hours. In that case, the required continuation coverage period is generally 18 months. This 18 months may be extended for affected individuals to 36 months from the termination or reduction in hours of employment if other events (i.e., the employee's death, divorce, legal separation, or Medicare entitlement) occur during the original 18 month period. In no event will continuation coverage last beyond 36 months from the date of the event that originally made an individual eligible to elect coverage.

The 18 months may be extended to 29 months if an individual is determined by the Social Security Administration to be disabled (for Social Security purposes) at any time during the first 60 days of COBRA continuation coverage. To benefit from this extension, you must notify the Plan Administrator of that determination within 60 days of the date of determination and before the end of the original 18-month period. If the individual entitled to the disability extension has non-disabled family members who are entitled to the extension of the COBRA continuation coverage period from 18 to 29 months. A greater premium amount applies to the 11-month extension period. The affected individual(s) also must notify the Plan Administrator within 30 days of any final determination that the individual is no longer disabled.

The law provides that your continuation coverage will be cut short for any of the following five reasons:

1. The Employer no longer provides group health coverage to any of its employees;
2. The premium for your continuation coverage is not paid on time;
3. After the date of your continuation coverage election, you become covered under another group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition you may have. If the exclusions or limitations for pre-existing conditions in the other group health plan would not apply to you (or would be satisfied by you) due to the requirements enacted by the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA"), then the Plan may terminate your COBRA continuation coverage. The HIPAA rules become effective in plan years beginning on or after July 1, 1997 (or later for certain plans maintained pursuant to one or more collective bargaining agreements);
4. You become entitled to Medicare;
5. You extended coverage for up to 29 months due to disability and there has been a final determination that the disabled individual is no longer disabled.

You do not have to show that you are insurable to choose continuation coverage. However, continuation coverage under COBRA is provided subject to your eligibility for coverage. The Plan Administrator reserves the right to terminate your COBRA coverage retroactively if you are determined to be ineligible.

Under the law, you must pay all of the cost of your continuation coverage. There is a grace period of at least 30 days for payment of the regularly scheduled premium. At the end of the 18, 29 or 36 month continuation coverage period, you are allowed to enroll in an individual conversion health plan if otherwise provided under the plan.

If there are any changes to your marital status, your or your spouse's address(es), or the dependent status of any of your children under the plan, please notify the Plan Administrator immediately.

Please note that this Notice is merely a summary of a very complicated federal law. In the event of any inconsistency between this Notice and federal law, federal law will control. Also, please note that this Notice is not intended to inform you about any details of the plan. You should refer to your copy of the plan's Summary Plan Description, or request a copy of it or of the plan's governing document, for such details.

If you have any questions about COBRA or the plan, please contact:

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