

«first_name» «last_name»
«address_line_1»
«address_line_2»
«city», «state» «zip_code»

COBRA INITIAL NOTICE COBRA COVERAGE – SUMMARY OF RIGHTS AND OBLIGATIONS REGARDING CONTINUATION OF GROUP HEALTH PLAN COVERAGE

«letter_date»

Dear «group_name» Plan Participant and/or Other Qualified Beneficiaries:

You are receiving this notice because you have recently become covered under a group health plan (The Plan). This notice contains important information about your rights under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA continuation coverage is a temporary extension of coverage under The Plan. 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.

The right to COBRA continuation coverage was created by a federal law, COBRA continuation coverage can become available to you when you would otherwise lose your group health coverage. It can also become available to other members of your family who are covered under the Plan when they would otherwise lose their group health coverage. For additional information about your rights and obligations under the Plan and under federal law, you should review the Plan's Summary Plan Description or contact the employer, also referred to as the Plan Sponsor.

What is 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. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse, and your dependent children could become qualified beneficiaries if coverage under the Plan is lost because of the qualifying event.

Under the Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for COBRA continuation coverage (see the section below titled "What is the Cost of COBRA Continuation Coverage?" for more information).

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:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than for 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 happens:

- Your spouse dies
- Your spouse's hours of employment are reduced
- Your spouse's employment ends for any reason other than his or her gross misconduct
- Your spouse becomes entitled to Medicare benefits (under Part A, Part B, or both)
- You become divorced or legally separated from your spouse.

If you are a dependent child of an employee other than a spouse, you will become qualified beneficiaries if you lose coverage under the Plan because any of the following qualifying events happens:

- The parent-employee dies
- The parent-employee's hours of employment are reduced
- The parent-employee's employment ends for any reason other than his or her gross misconduct
- The parent-employee becomes entitled to Medicare benefits (Part A, Part B, or both)
- The parents become divorced or legally separated
- The child stops being eligible for coverage under the plan as a "dependent child."

When is COBRA Coverage Available?

The Plan will offer COBRA continuation coverage to qualified beneficiaries only after it has been notified that a qualifying event has occurred. When the qualifying event is the end of employment or reduction of hours of employment, death of the employee, or the employee's becoming entitled to Medicare benefits (under Part A, Part B, or both), the employer must notify First Choice Health Administrators (FCHA), the third party administrator delegated by the employer to administer your COBRA benefits of the qualifying event.

You Must Give Notice of Some Qualifying Events

For the other qualifying events, such as divorce, legal separation of the employee and spouse, a dependent child's losing eligibility for coverage as a dependent child, or if a family member once considered disabled is determined to no longer be such, **you must notify the Plan administrator (who will share the information with FCHA) within 60 days after the qualifying event occurs. You must provide this notice in writing to your employer or your parent or spouse's employer, the Plan Administrator.**

COBRA Administrator

The COBRA Administrator is First Choice Health Administrators. All notices and other communications regarding COBRA must be directed to First Choice Health Administrators who is the Client COBRA Representative for «group_name».

First Choice Health Administrators
Attn: «group_name»

COBRA Department
PO BOX 12659
Seattle, WA 98111
Tel: (877) 749-2032
Fax: (206) 268-2456

Email: memservices@fchn.com
Website: www.myfirstchoice.fchn.com

How is COBRA Coverage Provided?

Once First Choice Health Administrators receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. Covered employees may elect COBRA continuation coverage on behalf of their spouses, and parents may elect COBRA continuation coverage on behalf of their children. COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the death of the employee, the employee's becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child's losing eligibility as a dependent child, COBRA continuation coverage lasts 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. For example, if a covered employee becomes entitled to Medicare 8 months before the date on which his employment terminates, COBRA continuation coverage for his spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 28 months after the date of the qualifying event (36 months minus 8 months). Otherwise, when the qualifying event is the end of employment or reduction of the employee's hours of employment, COBRA continuation coverage generally lasts for only up to a total of 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 and you notify the Plan Administrator in a timely fashion, you and your entire family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. The disability would have to have started at some time before the 60th day of COBRA continuation coverage and must last at least until the end of the 18 month period of continuation coverage.

Second qualifying event extension of 18 month period of continuation coverage

If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, the spouse and dependent children in your family can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan. This extension may be available to the spouse and any dependent children receiving continuation coverage if the employee or former employee dies, becomes entitled to Medicare benefits (under Part A, Part B, or both), or gets divorced or legally separated, or if the dependent child stops being eligible under the Plan as a

dependent child, but only if the event would have caused the spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred.

COBRA coverage can also be chosen for a health flexible spending arrangement (health FSA). The maximum COBRA period for a health FSA is shorter and determined by account balance as of the date of the qualifying event. Contact your Plan Administrator for more information or refer to the COBRA section of your Cafeteria Plan Summary Plan Description.

What is the Cost of COBRA Continuation Coverage?

You are required to pay any and all applicable contributions for you and your covered dependents. Contributions consist of the full cost of coverage plus 2% for administrative costs (102%). You must pay the contribution for continuation of coverage within 45 days of the date you elect COBRA coverage.

If You Have Questions

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 nearest Regional or District Office of 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 numbers of Regional and District EBSA Offices are available through EBSA's website.) For Medicare and COBRA questions, please refer to the Medicare website (www.medicare.gov) for complete details.

You may also contact your Plan Administrator (see section titled "You Must Give Notice of Some Qualifying Events" for your Plan Administrator's contact information) or FCHA's COBRA department for more information. FCHA may be reached locally at (877) 749-2032, or via e-mail at eligibility@fchn.com.

Keep Your Plan Informed of Address Changes

In order to protect your family's rights, you must keep your Plan Administrator and/or FCHA informed of any changes in the addresses of family members. Use the contact information provided for either, or log into www.myFirstChoice.fchn.com, select "Eligibility and Benefits," and then select "Update Address" under "Subscriber Information."

Should you have questions, please contact a COBRA Representative at (877) 749-2032.

Sincerely,

COBRA Department
First Choice Health Administrators
COBRA Administrator acting on behalf of the «group_name» Plan.