

Notice to Employees/Dependents Affected by Federal Continuation Law



The Consolidated Omnibus Reconciliation Act of 1986, as amended, requires that employers of 20 or more full or part-time employees offer to continue in-force group major medical or dental insurance coverage to you if a “qualifying event” occurs.

Qualifying events for employees and dependents to continue coverage for a maximum of 18 months:

1. Termination of your employment (for other than your gross misconduct);
2. Your retirement;
3. A reduction in hours resulting in ineligibility for your group plan.

Qualifying events for dependents to continue coverage for a maximum of 36 months:

1. Death of the employee;
2. Divorce or legal separation from the employee;
3. Loss of dependent status under the provisions of your health plan;
4. Loss of coverage under the group because you are receiving Medicare benefits.

If you or your dependent are determined to be disabled and eligible for Social Security benefits at the time of the qualifying event, you may be able to continue COBRA coverage for a maximum of 29 months. COBRA coverage is available to those eligible for a new group health plan who must first satisfy a waiting period or who are subject to pre-existing conditions. COBRA coverage will cease at the end of such waiting period or pre-existing limitation.

In order to continue your insurance you must send to the Employer, within 60 days after the eligibility date (later of qualifying event date and date of notice—provided notice is given in a timely manner), the completed application appearing on the reverse side of this page. Payment for continued coverage must be made within 45 days of the completed application date.

Changes in plan benefits or rates will affect you and your dependents on continuance. Additional qualifying events may occur while coverage is being continued. The total overall continuance period for all qualifying events cannot be more than 36 months (special provisions may apply because of Medicare eligibility.)

Coverage may be continued by you until:

1. The date you fail to make, when due, the required premium payment;
2. The date you are covered under another group health plan, policy or service contract;
3. The date the Employer-Sponsored Health Plan is terminated for all employees;
4. The expiration of the applicable time limit.

You may be eligible to convert to a major medical conversion plan during, or at the end of, the continuance period. You may contact Union Security Life Insurance Company of New York for conversion coverage details.

IMPORTANT NOTICE OF PREMIUM PAYMENT PROVISIONS

Union Security Life Insurance Company of New York (“Company”) will include the premium due for you on your ex-Employer’s premium statement. Premiums due for the continued coverage are payable to them monthly. You must pay the entire premium. The premium payment date and schedule established by your former Employer must be followed to keep your continued coverage in force. If you do not pay the required premium to the ex-Employer by the established date, your coverage can be terminated. They will set up a reasonable grace period and may charge you 2% more than your premium for administrative expenses (50% more of the applicable premium for months 19 through 29 for disabled recipients of Social Security benefits.)

If you are located in a state that has continuance laws, you will receive the better continuance period between the state and federal continuance provisions.

NOTE: YOUR INSURANCE WILL TERMINATE IMMEDIATELY IF YOU FAIL TO MAKE PAYMENTS ON TIME.

Insurance products are underwritten by Union Security Life Insurance Company of New York (Fayetteville, NY) and administered by Sun Life and Health Insurance Company (U.S.) (Lansing, MI).

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Union Security Life Insurance Company of New York

Administered by: **Sun Life Administrative Office** P.O. Box 981624 El Paso, Texas 79998-1624
T 888.901.6377

APPLICATION FOR CONTINUED HEALTH/DENTAL INSURANCE

Date of this notice _____

Note: Medical and/or Dental Insurance may be continued subject to COBRA guidelines and State continuance laws.

To be completed by Employer

Employer name _____ Address _____

Group policy no. _____ Group participation no. _____ Employee certificate no. _____

Length of time covered under our Medical policy and any policy it replaced _____

Length of time covered under our Dental policy and any policy it replaced _____

Name(s) of employee and dependents eligible for continuation _____

Date and reason insurance is terminating _____

Initial cost of insurance per month \$ _____

Major Medical (*if applicable*) \$ _____ Dental (*if applicable*) \$ _____ Premium due date _____

Authorized employer signature _____ Date _____

To be completed by the Applicant

Insurance to be continued: Major Medical (*if applicable*) Dental (*If applicable*)

Name(s) and relationship to member of person(s) continuing insurance _____

Are any of the individuals listed above:

1. Covered or eligible for Medicare or Medicaid? Yes No If "Yes," effective date? _____

2. Covered or eligible for comprehensive coverage under any other group or individual health/dental insurance plan?

Yes No If "Yes," please answer the following questions:

A. Name of carrier? _____

B. Will your coverage be subject to any pre-existing conditions or waiting period? Yes No

C. If "Yes," please provide length of waiting period and/or pre-existing condition. _____

Your home address:

Street _____ Apartment no. _____

City _____ State _____ Zip code _____

Applicant signature _____ Date _____

HOME OFFICE USE

_____ FC _____ SC _____ SB

NOTICE OF CHANGE UNDER HIPAA TO COBRA CONTINUATION COVERAGE UNDER GROUP HEALTH PLANS

On August 21, 1996, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) was signed into law (Public Law 104-91). HIPAA section 421 makes changes, described below, to three areas in the continuation coverage rules applicable to group health plans, including group dental plans, under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), as amended. These three areas relate to the disability extension, the definition of qualified beneficiary and the duration of COBRA continuation coverage. These changes are effective beginning January 1, 1997, regardless of whether the qualifying event that entitles an individual to COBRA continuation coverage occurs before, on, or after that date.

Section 421(e) of HIPAA requires group health plans that are subject to COBRA to notify, by November 1, 1996, individuals who have elected COBRA continuation coverage of these changes. Such notification must be given to qualified beneficiaries by November 1, 1996. The following is a discussion of the specific changes in the continuation coverage rules made by HIPAA.

Disability Extension

Under current law, if an individual is entitled to COBRA continuation coverage because of a termination of employment or reduction of hours of employment, the plan generally is only required to make COBRA continuation coverage available to that individual for 18 months. However, if the individual entitled to COBRA continuation coverage is disabled (as determined under the Social Security Act) and satisfies the applicable notice requirements, the plan must provide COBRA continuation coverage for 29 months, rather than 18 months. Under current law, the individual must be disabled at the time of the termination of employment or reduction in hours of employment. HIPAA makes changes to the current law to provide that, beginning January 1, 1997, the disability extension will also apply if the individual becomes disabled at any time during the first 60 days of COBRA continuation coverage. HIPAA also makes it clear that, if the individual entitled to the disability extension has non-disabled family members who are entitled to COBRA continuation coverage, those non-disabled family members are also entitled to the 29-month disability extension.

Definition of Qualified Beneficiary

Individuals entitled to COBRA continuation coverage are called qualified beneficiaries. Individuals who may be qualified beneficiaries are the spouse and dependent children of a covered employee and in certain cases, the covered employee. Under current law, in order to be a qualified beneficiary an individual must generally be covered under a group health plan on the day before the event that causes a loss of coverage (such as a termination of employment, or a divorce from or death of the covered employee). HIPAA changed this requirement so that a child who is born to the covered employee, or who is placed for adoption with the covered employee, during a period of COBRA continuation coverage is also a qualified beneficiary. Treating a newborn infant or adopted child as a qualified beneficiary allows the election of an additional 36 months of continued coverage for the child if, during the first 18 months of continuation coverage following the covered employee's termination of employment or reduction in hours, there is a second qualifying event (death of the covered employee, divorce or legal separation of the employee from his or her spouse, the employee becoming entitled to Medicare, or the dependent ceasing to be a dependent under the group plan).

Duration of COBRA Continuation Coverage

Under the COBRA rules there are situations in which group health plans may stop making COBRA continuation coverage available earlier than usually permitted. One of those situations is where the qualified beneficiary obtains coverage under another group health plan. Under current law, if the other group health plan limits or excludes coverage of any pre-existing condition of the qualified beneficiary, the plan providing the COBRA continuation coverage cannot stop making COBRA continuation coverage available merely because of the coverage under the group health plan. HIPAA limits the circumstances in which plans can apply exclusions for pre-existing conditions. HIPAA makes a coordinating changes to the COBRA rules so that if a group health plan limits or excludes benefits for pre-existing conditions but because of the new HIPAA rules those limits or exclusions would not apply to (or would be satisfied by) an individual receiving COBRA continuation coverage, then the plan providing the COBRA continuation coverage can stop making the COBRA continuation available. The HIPAA rules limiting the applicability of exclusions for pre-existing conditions 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).

Effect of this Notice

Supplying qualified beneficiaries with a copy of this notice constitutes compliance with the notice requirement in section 421(e) of HIPAA if this information is sent to each qualified beneficiary by first-class mail at the last known address of the qualified beneficiary by November 1, 1996.