

INITIAL NOTICE OF COBRA RIGHTS *All family members should read this notice carefully*

The Claremont Colleges - Office of Benefits Administration
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RETAIN THIS NOTICE WITH
YOUR INSURANCE PAPERS

Date of Notice: October 26, 2009

To Active Employee and all eligible dependents (if applicable)

A federal law known as COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985 as amended) requires most employers sponsoring health plans to notify all of their employees, including newly-hired, current and previous employees (and their dependents) of their rights to "continuation" health care coverage in the event they would lose coverage due to certain events called "Qualifying Events." This notice is the employer's fulfillment of this obligation. If you, your spouse or dependent child(ren) are or become participants in The Claremont College's group health plan(s), it is important to understand your ongoing rights and obligations under the continuation of coverage provisions of COBRA. This summary of rights should be reviewed by both you and your spouse (if applicable), retained with other benefits documents, and referred to in the event that any action is required on your part.

If you, your spouse or dependent child(ren) should lose coverage under The Claremont Colleges' group health plan(s) due to a "Qualifying Event" (listed below), you may be entitled to elect temporary continuation of health care coverage ("continuation coverage") at group rates. The following summary of information concerning COBRA outlines the procedures which should be followed if or when a Qualifying Event occurs.

Qualifying Events

If you are an employee of The Claremont Colleges (CUC, CGU, Scripps, CMC, HMC, Pitzer, Pomona, KGI and RSABG) and are covered by its group health plan, you have a right to elect continuation coverage if you lose your group health coverage because of a reduction in your hours of employment or the termination of your employment (for reasons other than gross misconduct).

If you are the covered spouse of the above covered employee, you have the right to elect continuation coverage for yourself if you lose group health coverage for any of the following reasons:

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

If you are the covered dependent child of the above employee, you have the right to elect continuation coverage if you lose group health coverage for any of the following reasons:

- (1) The death of the employee;
- (2) The termination of the employee's employment (for reasons other than gross misconduct) or reduction in the employee's hours of employment;
- (3) Parents' divorce or legal separation;
- (4) Employee becomes entitled to Medicare; or
- (5) The dependent ceases to be a "dependent child" under the terms of the plan(s).

You also have a right to elect continuation coverage if you are covered under the plan as a retiree or spouse or child of a retiree, and lose coverage within one year before or after the commencement of proceedings under Title 11(bankruptcy), United States Code.

Employee and/or Covered Dependent's Reporting Responsibility

Under the law, the employee (or a covered dependent) has the responsibility to inform the employer, The Claremont Colleges' of a divorce, legal separation, or a child losing dependent status under the plan if any of these events would cause a loss of coverage. This notification must be made within 60 days after the date of the Qualifying Event, or the date on which coverage would end under the plan because of the event, whichever is later. The notice must be in writing, and should be sent to the Benefits Section of The Claremont Colleges. If notice is not timely made, rights to continue coverage will terminate. If you need help acting in behalf of an incapacitated beneficiary, please contact Benefits Administration for assistance.

Please also notify Benefits Administration if you have changed marital status, or if you, your spouse, or eligible covered dependent(s) has a change of address, otherwise, COBRA Notices will be sent to the last known address.

If your spouse or any covered child resides at a different address, please notify The Claremont Colleges in writing, so that a separate notice may be sent.

Election Period

When The Claremont Colleges is notified that a Qualifying Event has happened, it will in turn notify you that you have the right to elect continuation coverage. The Claremont Colleges will notify you or your covered dependents of your right to elect continued coverage within 44 days of the event of termination of employment, reduction in hours, employee's death, or employee's entitlement to Medicare. Under the law, you have 60 days from the date you would lose coverage because of one of the events described above, or 60 days from the date of the employer's notice of your right to elect continuation coverage (whichever is later) to elect continuation coverage. If you make a timely election, coverage will become effective on the day after coverage would otherwise be terminated.

Termination of Continuation of Coverage

The law also provides that continuation coverage may end prior to the expiration of the 18-, 29- or 36-month period if any one of the following occurs:

- 1) The Qualified Beneficiary fails to pay the required premium in a timely manner;
- 2) The Qualified Beneficiary first becomes, after the date of election, covered under another group health plan (as an employee or otherwise) which does not contain any exclusion or limitation with respect to any preexisting condition of the Qualified Beneficiary;
- 3) The Qualified Beneficiary first becomes, after the date of election, entitled to Medicare;
- 4) The employer/former employer no longer provides group health coverage to any of its employees;
- 5) In the case of individuals receiving the 11-month Disability Extension due to a Qualified Beneficiary being deemed disabled by the Social Security Administration, coverage may terminate the month that begins more than 30 days after the date of the final determination that the Qualified Beneficiary is no longer disabled.

You must notify The Claremont Colleges upon the occurrence of events (2) and (3) above.

Since your medical plan provides you with the option to convert to individual coverage, you can exercise that option during the last 180 days of continued coverage.

You may choose not to convert your medical plan to individual conversion coverage. In this case, you may purchase an individual medical policy from any carrier selling these types of policies state-wide. These carriers must sell you their two best selling individual medical policies. You must exhaust your COBRA continuation in order to be eligible to purchase an individual policy (as allowed under HIPAA).

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Premium Payments

A qualified beneficiary who elects continuation coverage is responsible for the full applicable premium payments for the coverage selected, plus a 2% administration charge. Once elected, a qualified beneficiary has 45 calendar days from the date of election to pay the retroactive premium. This premium payment is for the coverage period from the date of the loss of coverage to the date you elect continuation coverage. **If payment is not made within such time period, the COBRA election is null and void.** Once the back premium is paid, monthly premiums will be due on the first of each month. You will have a 30 day grace period following the due date in which to make these premium payments. This is the maximum grace period as the plan does not provide for an extension of the grace period beyond the required 30 days. **If payment is not made within the grace period, then coverage will be cancelled. It is the qualified beneficiary's responsibility to make these monthly payments as you will not receive monthly billing.**

If health care continuation is extended to individuals who are deemed disabled by the Social Security Administration, qualified beneficiaries may be required to pay 150 percent of the applicable premium for up to 11 additional months of coverage provided to disabled beneficiaries.

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 under the plan. The employer reserves the right to terminate your continuation coverage retroactively if you are determined to be ineligible.

Under the law, at the end of the 18-month, 29-month or 36-month continuation coverage period, you must be allowed to enroll in an individual conversion health plan if one is provided under the terms of the employer's group health plan.

Once your continuation coverage terminates for any reason, it cannot be reinstated.

COBRA Questions and Answers

A) Who is a Qualified Beneficiary?

A Qualified Beneficiary is any employee, former employee, spouse or dependent child of an employee or former employee, who was covered under the employer's group health plan on the day before the Qualifying Event.

B) What is a Qualifying Event?

A Qualifying Event is any of the following events which would cause an employee, former employee, covered spouse or dependent child to lose coverage under the employer's group health plan. These events include:

- a) an employee's termination of employment (such as voluntary resignation, involuntary termination, retirement, layoff, or leave of absence) except for termination due to gross misconduct;
- b) an employee's reduction of work hours (such as a work stoppage or a strike);
- c) death of a covered employee;
- d) divorce or legal separation from a covered employee;
- e) a dependent child's loss of eligibility due to the plan's eligibility definitions;
- f) an employee becoming entitled to Medicare
- g) with respect to a retiree or spouse or child of a retiree, loss of coverage within one year before or after the commencement of proceedings under Title 11 (bankruptcy), United States Code.

C) How long may coverage be continued?

Coverage may be continued for up to 18 months,* which is measured from the date of the Qualifying Event, if the Qualifying Event is either "(a)" or "(b)" in question B above, or up to 36 months for any other Qualifying Event, which is measured from the date of the Qualifying Event (or, in the case of Medicare, from the date of Medicare entitlement). However, continuation coverage may end prior to the expiration of the 18-, 29- or 36- month period, as described under Termination of Continuation Coverage.

***Note: Two situations may extend an 18 month period of continuation of coverage:**

Social Security Disability - The 18 months of continuation coverage can be extended to 29 months if the Social Security Administration determines that a qualified beneficiary was disabled on the date of the qualifying event according to Title II or XVI of the Social Security Act. It is your responsibility to obtain this disability determination from the Social Security Administration and provide documentation to The Claremont Colleges - Benefits Administration within 60 days of the date of determination and before the original 18 months of continuation coverage expire. It is also the qualified beneficiary's responsibility to notify The Claremont Colleges - Benefits Administration within 30 days that a final determination has been made that they are no longer disabled. The extension applies independently to all qualified beneficiaries, not just the disabled individual.

Secondary Events - If during the 18 months of continuation coverage, a second event takes place (divorce, legal separation, death of employee, Medicare entitlement, or a dependent child ceasing to be a dependent), then the 18 months of continuation coverage can be extended to 36 months from the date of the original COBRA qualifying event date. If a second event occurs, it is the qualified beneficiary's responsibility to notify The Claremont Colleges within 60 days of the event and within the original 18 month of COBRA period. In no event, however, will continuation coverage last beyond 36 months from the date of the event that originally made the qualified beneficiary eligible for COBRA continuation coverage.

D) What coverage(s) may be continued?

Qualified Beneficiaries may continue only those group health coverage's that were in effect on the day before the Qualifying Event and qualified beneficiaries cannot be asked to furnish evidence of insurability. During the time you and your dependents are covered by COBRA continuation, you will be entitled to the same coverage options that are available to active employees, including, for example, the right to change coverage at open enrollment and the right to modify coverage in the event of a change in your coverage needs. You will be notified of these options at the same time as the active employees by mail to your last known address. If you do not choose continued coverage, your group health coverage will end on the last day of the month in which the qualifying event occurred. COBRA Continuation does not include Life Insurance, Accidental Death and Dismemberment and Short or Long Term Disability Benefits.

E) Can Qualified Beneficiaries make separate coverage elections?

Yes, Qualified Beneficiaries may make separate elections. Each Qualified Beneficiary may choose any benefit coverage for which he or she is eligible. If Qualified Beneficiaries wish to make independent elections, they must complete separate election forms. Parents or guardians may elect coverage on behalf of minor dependent children.

F) How much will it cost me to continue coverage under COBRA?

The cost to continue coverage is the applicable group premium rate for coverage elected, plus an administration fee, if applicable. Premium rates (including administration fees where applicable) should be provided to you at the time of a Qualifying Event. These rates are subject to change.

For questions regarding this notice, contact Aliquant COBRA Compliance Division at (800) 641-3321