



CONTINUATION OF COVERAGE (COBRA)

Under federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), certain employees and their families covered under the Arizona Metropolitan Trust Employee Benefit Plan (the Plan) will be entitled to the opportunity to elect a temporary extension of health coverage (called COBRA continuation coverage) where coverage under the Plan would otherwise end. This notice is intended to inform plan participants and beneficiaries, in summary fashion, of their rights and obligations under the continuation coverage provisions of COBRA, as amended and reflected in final and proposed regulations published by the Department of the Treasury. This notice is intended to reflect the law and does not grant or take away any rights under the law.

The Plan Administrator is Arizona Metropolitan Trust, c/o Gallagher Benefit Services at 1115 Stockton Hill Rd., Ste. 101, Kingman, AZ 86401, 1-928-753-4700. COBRA continuation coverage for the Plan is administered as follows:

- El Mirage: Contact your Human Resources Department
- All Others: Contact AmeriBen, P.O. Box 7565, Boise, ID 83707, 1-855-350-8699

Complete instructions on COBRA, as well as election forms and other information, will be provided by the Plan Administrator, or its designee, to plan participants who become qualified beneficiaries under COBRA.

There may be other options available when you lose group health coverage. For example, you may be eligible to buy an individual plan through the Health Insurance Marketplace. By enrolling in coverage through the Marketplace, you may qualify for lower costs on your monthly premiums and lower out-of-pocket costs. Additionally, you may qualify for a thirty (30) day special enrollment period for another group health plan for which you are eligible (such as a spouse's plan), even if that plan generally doesn't accept late enrollees.

COBRA Continuation Coverage

COBRA continuation coverage is the temporary extension of group health plan coverage that must be offered to certain plan participants and their eligible family members (called qualified beneficiaries) at group rates. The right to COBRA continuation coverage is triggered by the occurrence of a life event that results in the loss of coverage under the terms of the Plan (the qualifying event). The coverage must be identical to the Plan coverage that the qualified

beneficiary had immediately before the qualifying event, or if the coverage has been changed, the coverage must be identical to the coverage provided to similarly situated active employees who have not experienced a qualifying event (in other words, similarly situated non-COBRA beneficiaries).

Qualified Beneficiary

In general, a qualified beneficiary can be:

1. Any individual who, on the day before a qualifying event, is covered under a Plan by virtue of being on that day either a covered employee, the spouse of a covered employee, or a dependent child of a covered employee. If, however, an individual who otherwise qualifies as a qualified beneficiary is denied or not offered coverage under the Plan under circumstances in which the denial or failure to offer constitutes a violation of applicable law, then the individual will be considered to have had the Plan coverage and will be considered a qualified beneficiary if that individual experiences a qualifying event.
2. Any child who is born to or placed for adoption with a covered employee during a period of COBRA continuation coverage, and any individual who is covered by the Plan as an alternate recipient under a Qualified Medical Child Support Order. If, however, an individual who otherwise qualifies as a qualified beneficiary is denied or not offered coverage under the Plan under circumstances in which the denial or failure to offer constitutes a violation of applicable law, then the individual will be considered to have had the Plan coverage and will be considered a qualified beneficiary if that individual experiences a qualifying event.
3. A covered employee who retired on or before the date of substantial elimination of Plan coverage which is the result of a bankruptcy proceeding under Title 11 of the U.S. Code with respect to the employer, as is the spouse, surviving spouse, or dependent child of such a covered employee if, on the day before the bankruptcy qualifying event, the spouse, surviving spouse, or dependent child was a beneficiary under the Plan.

The term covered employee includes any individual who is provided coverage under the Plan due to his or her performance of services for the employer sponsoring the Plan, self-employed individuals, independent contractor, or corporate director. However, this provision does not establish eligibility of these individuals. Eligibility for Plan coverage shall be determined in accordance with Plan's eligibility provisions.

An individual is not a qualified beneficiary if the individual's status as a covered employee is attributable to a period in which the individual was a non-resident alien who received from the individual's employer no earned income that constituted income from sources within the United States. If, on account of the preceding reason, an individual is not a qualified beneficiary, then a spouse or dependent child of the individual will also not be considered a qualified

beneficiary by virtue of the relationship to the individual. A domestic partner is not a qualified beneficiary.

Each qualified beneficiary (including a child who is born to or placed for adoption or foster care with a covered employee during a period of COBRA continuation coverage) must be offered the opportunity to make an independent election to receive COBRA continuation coverage.

Qualifying Event

A qualifying event is any of the following if the Plan provided that the plan participant would lose coverage (i.e., cease to be covered under the same terms and conditions as in effect immediately before the qualifying event) in the absence of COBRA continuation coverage:

1. the death of a covered employee
2. the termination (other than by reason of the employee's gross misconduct) or reduction of hours of a covered employee's employment
3. the divorce or legal separation of a covered employee from the employee's spouse
If the employee reduces or eliminates the employee's spouse's plan coverage in anticipation of a divorce or legal separation, and a divorce or legal separation later occurs, then the divorce or legal separation may be considered a qualifying event even though the spouse's coverage was reduced or eliminated before the divorce or legal separation.
4. a covered employee's enrollment in any part of the Medicare program
5. a dependent child ceasing to satisfy the Plan's requirements for a dependent child (for example, attainment of the maximum age for dependency under the Plan)
6. a proceeding in bankruptcy under Title 11 of the U.S. Code with respect to an employer from whose employment a covered employee retired at any time

If the qualifying event causes the covered employee, the covered spouse, or a dependent child of the covered employee, to cease to be covered under the Plan under the same terms and conditions as in effect immediately before the qualifying event (or in the case of the bankruptcy of the employer, any substantial elimination of coverage under the Plan occurring within twelve (12) months before or after the date the bankruptcy proceeding commences), the persons losing such coverage become qualified beneficiaries under COBRA if all the other conditions of COBRA are also met. For example, any increase in contribution that must be paid by a covered employee, the spouse, or a dependent child of the covered employee, for coverage under the Plan that results from the occurrence of one (1) of the events listed above is a loss of coverage.

The taking of leave under the Family and Medical Leave Act of 1993 (FMLA) does not constitute a qualifying event. A qualifying event will occur, however, if an employee does not return to employment at the end of the FMLA leave and all other COBRA continuation coverage conditions are present. If a qualifying event occurs, it occurs on the last day of FMLA leave and the applicable maximum coverage period is measured from this date (unless coverage is lost at a later date and the Plan provides for the extension of the required periods, in which case the maximum coverage date is measured from the date when the coverage is lost). Note that the covered employee and family members will be entitled to COBRA continuation coverage even if

they failed to pay the employee portion of premiums for coverage under the Plan during the FMLA leave.

Notice of Unavailability of Continuation Coverage

The Plan may sometimes deny a request for COBRA coverage, including an extension of coverage, when the Plan Administrator determines the plan participant is not entitled to receive it.

When a Plan Administrator makes the decision to deny a request for COBRA coverage from a plan participant, the Plan must give the plan participant a notice of unavailability of COBRA coverage. The notice must be provided within fourteen (14) days after the request is received relating to a qualifying event, second qualifying event, or determination of disability by the Social Security Administration, and the notice must explain the reason for denying the request.

Factors to Consider in Electing COBRA Continuation Coverage

When considering options for health coverage, qualified beneficiaries should consider:

1. **Premiums.** This Plan can charge up to 102% of total plan premiums for COBRA coverage. Other options, like coverage on a spouse's plan or through the marketplace, may be less expensive. Qualified beneficiaries have special enrollment rights under federal law (HIPAA). They have the right to request special enrollment in another group health plan for which they are otherwise eligible (such as a plan sponsored by a spouse's employer) within thirty (30) days after Plan coverage ends due to one of the qualifying events listed above.
2. **Provider Networks.** If a qualified beneficiary is currently getting care or treatment for a condition, a change in health coverage may affect access to a particular health care provider. You may want to check to see if your current health care providers participate in a network in considering options for health coverage.
3. **Drug Formularies.** For qualified beneficiaries taking medication, a change in health coverage may affect costs for medication – and in some cases, the medication may not be covered by another plan. Qualified beneficiaries should check to see if current medications are listed in drug formularies for other health coverage.
4. **Severance Payments.** If COBRA rights arise because the employee has lost his or her job and there is a severance package available from the employer, the former employer may have offered to pay some or all of the employee's COBRA payments for a period of time. This can affect the timing of coverage available in the marketplace. In this scenario, the employee may want to contact the Department of Labor at 1-866-444-3272 to discuss options.

5. **Service Areas.** If benefits under the Plan are limited to specific service or coverage areas, benefits may not be available to a qualified beneficiary who moves out of the area.
6. **Other Cost Sharing.** In addition to premiums or contributions for health coverage, the Plan requires participants to pay co-payments, deductibles, co-insurance, or other amounts as benefits are used. Qualified beneficiaries should check to see what the cost sharing requirements are for other health coverage options. For example, one option may have much lower monthly premiums, but a much higher deductible and higher co-payments.

Other Coverage Options

Instead of enrolling in COBRA continuation coverage, there may be other coverage options for qualified beneficiaries through the Health Insurance Marketplace, Medicaid, or other group health plan coverage options (such as a spouse's plan) through what is called a 'special enrollment period'. Some of these options may cost less than COBRA continuation coverage. You can learn more about many of these options at www.healthcare.gov.

Procedure for Obtaining COBRA Continuation Coverage

The Plan has conditioned the availability of COBRA continuation coverage upon the timely election of such coverage. An election is timely if it is made during the election period.

The Election Period

The election period is the time period within which the qualified beneficiary must elect COBRA continuation coverage under the Plan. The election period must begin no later than the date the qualified beneficiary would lose coverage on account of the qualifying event and ends sixty (60) days after the later of the date the qualified beneficiary would lose coverage on account of the qualifying event or the date notice is provided to the qualified beneficiary of her or his right to elect COBRA continuation coverage. If coverage is not elected within the sixty (60) day period, all rights to elect COBRA continuation coverage are forfeited.

Responsibility for Informing the Plan Administrator of the Occurrence of a Qualifying Event

The Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator or its designee has been timely notified that a qualifying event has occurred. The employer (if the employer is not the Plan Administrator) will notify the Plan Administrator of the qualifying event within thirty (30) days following the date coverage ends when the qualifying event is any of the following:

1. the end of employment or reduction of hours of employment
2. death of the employee
3. commencement of a proceeding in bankruptcy with respect to the employer
4. entitlement of the employee to any part of Medicare

IMPORTANT:

For the other Qualifying Events (divorce or legal separation of the employee and spouse or a dependent child's losing eligibility for coverage as a dependent child), you or someone on your behalf must notify your Human Resources Department in writing within sixty (60) days after the Qualifying Event occurs, using the procedures specified below. If these procedures are not followed or if the notice is not provided in writing during the sixty (60) day notice period, any spouse or dependent child who loses coverage will not be offered the option to elect continuation coverage.

Notice Procedures

Any notice that you provide must be in writing. Oral notice, including notice by telephone, is not acceptable. You must mail, fax, or hand-deliver your notice to your Human Resources Department.

If mailed, your notice must be postmarked no later than the last day of the required notice period. Any notice you provide must state all of the following:

1. the name of the plan or plans under which you lost or are losing coverage
2. the name and address of the employee covered under the Plan
3. the name(s) and address(es) of the qualified beneficiary(ies)
4. the qualifying event and the date it happened

If the qualifying event is a divorce or legal separation, your notice must include a copy of the divorce decree or the legal separation agreement.

Be aware that there are other notice requirements in other contexts, for example, in order to qualify for a disability extension.

Once Human Resources receives timely 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 for their spouses, and parents may elect COBRA continuation coverage on behalf of their children. For each qualified beneficiary who elects COBRA continuation coverage, COBRA continuation coverage will begin on the date that Plan coverage would otherwise have been lost. If you or your spouse or dependent children do not elect continuation coverage within the sixty (60) day election period described above, the right to elect continuation coverage will be lost.

Waiver before the End of the Election Period

If, during the election period, a qualified beneficiary waives COBRA continuation coverage, the waiver can be revoked at any time before the end of the election period. Revocation of the waiver is an election of COBRA continuation coverage. However, if a waiver is later revoked, coverage need not be provided retroactively (that is, from the date of the loss of coverage until

the waiver is revoked). Waivers and revocations of waivers are considered made on the date they are sent to Human Resources, as applicable.

If a Qualified Beneficiary has other group health plan coverage or Medicare

Qualified beneficiaries who are entitled to elect COBRA continuation coverage may do so even if they are covered under another group health plan or are entitled to Medicare benefits on or before the date on which COBRA is elected. However, a qualified beneficiary's COBRA coverage will terminate automatically if, after electing COBRA, he or she becomes entitled to Medicare or becomes covered under other group health plan coverage.

When a Qualified Beneficiary's COBRA Continuation Coverage May be Terminated

During the election period, a qualified beneficiary may waive COBRA continuation coverage. Except for an interruption of coverage in connection with a waiver, COBRA continuation coverage that has been elected for a qualified beneficiary must extend for at least the period beginning on the date of the qualifying event and ending not before the earliest of the following dates:

1. the last day of the applicable maximum coverage period
2. the first day for which timely payment is not made to the Plan with respect to the qualified beneficiary
3. the date upon which the employer ceases to provide any group health Plan (including a successor plan) to any employee
4. the date, after the date of the election, that the qualified beneficiary first becomes covered under any other plan
5. the date, after the date of the election, that the qualified beneficiary first enrolls in the Medicare program (either part A or part B, whichever occurs earlier)
6. in the case of a qualified beneficiary entitled to a disability extension, the later of:
 - a. twenty-nine (29) months after the date of the qualifying event
 - b. the first day of the month that is more than thirty (30) days after the date of a final determination under Title II or XVI of the Social Security Act that the disabled qualified beneficiary whose disability resulted in the qualified beneficiary's entitlement to the disability extension is no longer disabled, whichever is earlier
 - c. the end of the maximum coverage period that applies to the qualified beneficiary without regard to the disability extension

The Plan can terminate for cause the coverage of a qualified beneficiary on the same basis that the Plan terminates for cause the coverage of similarly situated non-COBRA beneficiaries, for example, for the submission of a fraudulent claim.

In the case of an individual who is not a qualified beneficiary and who is receiving coverage under the Plan solely because of the individual's relationship to a qualified beneficiary, if the Plan's obligation to make COBRA continuation coverage available to the qualified beneficiary ceases, the Plan is not obligated to make coverage available to the individual who is not a qualified beneficiary.

When the Plan terminates COBRA coverage early for any of the reasons listed above, the Plan Administrator must give the qualified beneficiary a notice of early termination. The notice must be given as soon as practicable after the decision is made, and it must describe all of the following:

1. the date of termination of COBRA coverage
2. the reason for termination
3. any rights the qualified beneficiary may have under the plan or applicable law to elect alternative group or individual coverage, such as a right to convert to an individual policy

Maximum Coverage Periods for COBRA Continuation Coverage

The maximum coverage periods are based on the type of the qualifying event and the status of the qualified beneficiary, as shown below.

1. In the case of a qualifying event that is a termination of employment or reduction of hours of employment, the maximum coverage period ends eighteen (18) months after the qualifying event if there is not a disability extension and twenty-nine (29) months after the qualifying event if there is a disability extension.
2. In the case of a covered employee's enrollment in the Medicare program before experiencing a qualifying event that is a termination of employment or reduction of hours of employment, the maximum coverage period for qualified beneficiaries other than the covered employee ends on the later of:
 - a. thirty-six (36) months after the date the covered employee becomes enrolled in the Medicare program
 - b. eighteen (18) months [or twenty-nine (29) months, if there is a disability extension] after the date of the covered employee's termination of employment or reduction of hours of employment
3. In the case of a qualified beneficiary who is a child born to or placed for adoption with a covered employee during a period of COBRA continuation coverage, the maximum coverage period is the maximum coverage period applicable to the qualifying event giving rise to the period of COBRA continuation coverage during which the child was born or placed for adoption.
4. In the case of any other qualifying event than that described above, the maximum coverage period ends thirty-six (36) months after the qualifying event.

Circumstances in Which the Maximum Coverage Period Can be Expanded

If a qualifying event that gives rise to an eighteen (18) month or twenty-nine (29) month maximum coverage period is followed, within that eighteen (18) or twenty-nine (29) month period, by a second qualifying event that gives rise to a thirty-six (36) months maximum

coverage period, the original period is expanded to thirty-six (36) months, but only for individuals who are qualified beneficiaries at the time of and with respect to both qualifying events. In no circumstance can the COBRA maximum coverage period be expanded to more than thirty-six (36) months after the date of the first qualifying event. The Plan Administrator must be notified of the second qualifying event within sixty (60) days of the second qualifying event. This notice must be sent to the COBRA Administrator (either AmeriBen or your employer) in writing.

How a Qualified Beneficiary Becomes Entitled to a Disability Extension

A disability extension will be granted if an individual (whether or not the covered employee) who is a qualified beneficiary in connection with the qualifying event that is a termination or reduction of hours of a covered employee's employment, is determined under Title II or XVI of the Social Security Act to have been disabled at any time during the first sixty (60) days of COBRA continuation coverage. To qualify for the disability extension, the qualified beneficiary must also provide the Plan Administrator with notice of the disability determination on a date that is both within sixty (60) days after the date of the determination and before the end of the original eighteen (18) month maximum coverage. Said notice shall be provided to the Plan Administrator, in writing, and should be sent to the COBRA Administrator (either AmeriBen or your employer).

Payment for COBRA Continuation Coverage

For any period of COBRA continuation coverage under the Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for COBRA continuation coverage. Qualified beneficiaries will pay 102% of the applicable premium and 150% of the applicable premium for any expanded period of COBRA continuation coverage covering a disabled qualified beneficiary due to a disability extension. The Plan will terminate a qualified beneficiary's COBRA continuation coverage as of the first day of any period for which timely payment is not made.

The Plan must allow payment for COBRA continuation coverage to be made in monthly installments. The Plan is also permitted to allow for payment at other intervals.

Initial Payment for COBRA Continuation Coverage

Payment will be applied to the COBRA participant's account upon receipt. However, coverage is not activated until all of the initial payment is received.

Example: If one (1) month's payment is received, yet three (3) months payment is due: the one (1) month payment will be applied; however, claims will not process until the additional two (2) months' payment is received.

Timely Payment for COBRA Continuation Coverage

Timely payment means a payment made no later than thirty (30) days after the first day of the coverage period.

Notwithstanding the above paragraph, the Plan does not require payment for any period of COBRA continuation coverage for a qualified beneficiary earlier than forty-five (45) days after the date on which the election of COBRA continuation coverage is made for that qualified beneficiary. Payment is considered made on the date on which it is postmarked to the Plan.

If timely payment is made to the Plan in an amount that is not significantly less than the amount the Plan requires to be paid for a period of coverage, then the amount paid will be deemed to satisfy the Plan's requirement for the amount to be paid, unless the Plan notifies the qualified beneficiary of the amount of the deficiency and grants a reasonable period of time for payment of the deficiency to be made. A reasonable period of time is thirty (30) days after the notice is provided. A shortfall in a timely payment is not significant if it is no greater than the lesser of \$50 or 10% of the required amount.

Non-Sufficient Funds Payments (NSF)

Non-Sufficient Funds (NSF) payments are payments that are received timely but are later returned by the bank. The following conditions will apply to NSF payments:

1. If notification that a timely payment is being returned as a NSF payment **within** the grace period for the month the payment was for, a replacement payment can be submitted before the end of the grace period.
2. If notification that a timely payment is being returned due to a NSF payment **after** the grace period has expired and a subsequent payment was not received timely, COBRA continuation coverage will be retro terminated.
3. If notification that a timely payment is being returned as a NSF payment **after** the grace period has expired and a subsequent payment was postmarked within the grace period for the month the NSF payment was for, the subsequent payment will be accepted and a replacement payment (via a money order or cashier's check) will be required for the end of the current grace period.

COBRA Continuation Coverage Availability for Domestic Partners and Children of Domestic Partners

Federal law does not recognize a domestic partner or his or her children as qualified beneficiaries. However, COBRA will be offered to same sex domestic partners who were legally married in a state that recognizes such unions.

If You Have Questions

If you have questions about your COBRA continuation coverage, you should contact the Plan Sponsor. For more information about 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). Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's website at [Hwww.dol.gov/ebsa](http://www.dol.gov/ebsa).

Keep Your Human Resources Department Informed of Address Changes

In order to protect your family's rights, you should keep Human Resources informed of any changes in the addresses of family members. You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

If You Wish to Appeal

In general, COBRA-related claims are not governed by federal regulations. In an effort to provide all qualified beneficiaries with a fair and thorough review process for COBRA-related claims, all determinations regarding COBRA eligibility and coverage will be made in accordance with this **Continuation Coverage Rights Under COBRA** section of this governing plan document. Accordingly, if a qualified beneficiary wishes to appeal a COBRA eligibility or coverage determination made by the Plan, such claims must be submitted consistent with the appeals procedure set forth in the **Claims and Appeals** section of this document. The Plan will respond to all complete appeals in accordance with the appeals procedure set forth in the **Claims and Appeals** section of this document. The Plan offers two (2) levels of appeal. A qualified beneficiary who files an appeal with the Plan must exhaust the administrative remedies afforded by the Plan prior to pursuing civil action in federal court under COBRA.