



MASSACHUSETTS

January 2010

Dear Valued Customer:

As part of our ongoing effort to provide accurate and timely information to our customers, we are providing this notice to inform you about recent changes to the COBRA subsidy under the American Recovery and Reinvestment Act of 2009 (ARRA). This notice is provided for your information only and does not constitute legal advice. If you need legal advice, please consult your own legal counsel.

As we previously informed you, ARRA, which was enacted on February 17, 2009, provides a subsidy of COBRA and mini-COBRA premiums for employees involuntarily terminated from employment between September 1, 2008 and December 31, 2009. These “assistance eligible individuals” (AEIs) are only required to pay 35 percent of their COBRA or mini-COBRA premiums for a period of up to 9 months. The remaining 65 percent of the premiums are to be recovered by credits against payroll taxes paid by employers or multi-employer plans for COBRA premiums, and by insurers for mini-COBRA premiums.

On December 19, 2009, ARRA was amended by the Department of Defense Appropriations Act, 2010 (2010 DOD Act) to:

- Extend the duration of the COBRA premium subsidy from 9 months to 15 months; and
- Extend the eligibility period for the COBRA premium subsidy for two additional months, making the subsidy available to individuals who have an involuntary termination of employment through February 28, 2010.

Immediate Action Required

The 2010 DOD Act requires employers to provide notice of the extension of the COBRA premium subsidy to the following categories of individuals:

- All individuals who are currently AEIs must be notified by February 17, 2010;
- All individuals who experienced a termination of employment on or after October 31, 2009, and who lose health coverage, must be notified within the normal time frames for providing COBRA continuation of coverage notices; and
- All AEIs who are in a “transition period” must be notified within 60 days of the first day of the transition period. (The “transition period” begins immediately after the end of the nine months of premium reduction originally in effect under ARRA, as long as those nine months ended before December 19, 2009. The premium reduction provisions of the 2010 DOD Act would now apply during this period due to the extension from 9 to 15 months.)

(continued)



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Employers should also update their COBRA notices to include information about the premium subsidy for all individuals who have COBRA qualifying events between September 1, 2008 and February 28, 2010. Additional information regarding this extension is available on the Department of Labor website at www.dol.gov/cobra.

If you are subject to COBRA laws, you should consult with your legal counsel to make sure you are complying with the new law. In general, employers, including those with self-funded group health plans, who had at least 20 employees on 50 percent of the business days during the previous calendar year, must comply with COBRA. If a group health plan is maintained by an affiliated group of employers, all employers within the plan must comply with COBRA if the affiliated group had 20 or more employees in aggregate.

Please note: This letter is for informational purposes and does not contain legal advice.

Sincerely,

A handwritten signature in black ink that reads "Timothy J. O'Brien".

Timothy J. O'Brien
Senior Vice President
Sales Division