



SITZMANN ▪ MORRIS ▪ LAVIS

TO: Clients of Sitzmann Morris & Lavis Inc.

Re: Status of COBRA Subsidy

In response to numerous inquiries regarding eligibility for the COBRA subsidy the DOL added the following Q&A to their website <http://www.dol.gov/ebsa/faqs/faq-cobra-arra.html>:

Q1: If an employee is involuntarily terminated no later than December 31, 2009, but the qualified beneficiary is not eligible for COBRA until on or after January 1, 2010, is the qualified beneficiary eligible for ARRA premium assistance?

No. Under ARRA, an assistance eligible individual is a qualified beneficiary as the result of an involuntary termination that occurred during the period from September 1, 2008, through December 31, 2009, is eligible for COBRA continuation coverage at any time during that period, and elects the COBRA continuation coverage. An individual who does not become eligible for COBRA until after December 31, 2009 does not meet the qualifications to be an Assistance Eligible Individual and would therefore be ineligible for the ARRA premium assistance. Please note that this is the correct information based on the current law; however, there is pending legislation that could extend the ARRA premium assistance.

End of Subsidy. Participants who became eligible in this first wave on March 1, 2009, received a 65 percent premium subsidy through November 30, 2009. They will be responsible for paying 100% of the premiums beginning in December 2009.

Subsequent waves of the nine-month subsidy period will expire monthly hereafter. For example, the subsidy will expire on December 31, 2009, for COBRA and state continuation participants who became eligible on April 1, 2009. It will expire on January 31, 2010, for participants who became eligible on May 1, 2009, and so on. Assuming there is no extension, the final wave of the nine-month subsidy period will end on September 30, 2010.

Pending Legislation. Three proposals have been introduced in the House (H.R. 3920, H.R. 3930 and H.R. 3966), and one proposal in the Senate (S.2730). All proposals would extend the subsidy eligibility to June 30, 2010 and all are currently in committee. Although we expect the subsidy to be extended plan administrators must follow the current law. If there are any changes or an extension to the subsidy law, we will communicate that as soon as possible.

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