

## **GENERAL NOTICE OF CONTINUATION COVERAGE RIGHTS UNDER COBRA**

You are receiving this notice because you recently became covered under American Airlines Group Health Plan (the Plan). This notice contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Plan. This notice generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.

Under a Federal law known as the Consolidated Omnibus Reconciliation Act of 1985 (COBRA), covered employees and covered family members must be given the opportunity for a temporary extension of health coverage (called "Continuation Coverage") at group rates in certain instances where coverage under the plan would otherwise end due to certain qualifying events. This notice gives only a summary of your COBRA continuation coverage rights. For more complete information about your rights and obligations under the Plan and under Federal law, you should either review the Plan's Summary Plan Description or get a copy of the Plan Document from the Plan Administrator.

### **COBRA Continuation Coverage**

COBRA Continuation Coverage is a temporary continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this notice. COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." Qualified beneficiaries are those individuals, i.e. employee, spouse, dependent child, who are covered under the Plan on the day before a qualifying event. A child who is born to or placed for adoption with the covered employee during a period of COBRA coverage is also eligible to become a qualified beneficiary. Qualified beneficiaries who elect COBRA continuation coverage must pay for the coverage.

**Qualifying Events for Covered Employee** - If you are an employee and you are covered by the Plan(s), you have a right to choose COBRA Continuation Coverage if you lose your group health coverage because of a reduction in your hours of employment or termination of your employment (for reasons other than gross misconduct on your part).

**Qualifying Events for Covered Spouse** -If you are the spouse of an employee covered by the Plan(s) you have a right to choose Continuation Coverage if group health coverage under the Plan(s) is lost for any of the following four (4) reasons:

- (1) The death of your spouse;**
- (2) A 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 enrolled in Medicare (Part A, Part B, Part C and Part D or combination there of).**

**Qualifying Events for Covered Dependent Children** - In the case of a dependent child of an employee covered by the Plan(s), he or she has the right to choose Continuation Coverage if group health coverage under the Plan(s) is lost for any of the following five (5) reasons:

- (1) The death of the parent-employee;**
- (2) A termination of the parent-employee's employment (for reasons other than gross misconduct) or reduction in the employee's hours of employment;**
- (3) Parent's divorce or legal separation;**
- (4) The parent-employee becomes enrolled in Medicare (Part A, Part B, Part C and Part D or combination there of); or**
- (5) The dependent child stops being eligible for coverage as a "dependent child" under the Plan(s).**

Similar rights may apply to certain retirees, spouses, and dependent children if your employer commences a bankruptcy proceeding under title 11 of the United States Code and these individuals lose coverage.

The Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. If the qualifying event is a termination of employment or a reduction in hours, the death of the employee, enrollment of the employee in Medicare (Part A, Part B, Part C and Part D or combination there of), or in the case of certain retirees, commencement of a bankruptcy proceeding under title 11 of the United States Code, the employer must notify the Plan Administrator of the qualifying event.

If the qualifying event is a divorce, legal separation, or a child losing dependent status under the Plan(s) you must notify the Plan Administrator within 31 days after the qualifying event occurs. To report a qualifying event, please access Benefit Service Center from my.aa.com. If you have any questions, please call 1-888-860-6178, (9:00 a.m. to 6:00 p.m. CT). You must also provide additional documentation such as a copy of the divorce decree or proof that a child is no longer a "dependent" under the Plan(s). If you do not notify the Plan Administrator within the 31-day period, then rights to continue health insurance end.

When the Plan Administrator is notified that a qualifying event has occurred, the Plan Administrator will in turn notify qualified beneficiaries of their rights to elect COBRA continuation coverage. Each qualified beneficiary has the right to make his or her own election. Covered employees may elect coverage on behalf of their spouses and parents may elect coverage on behalf of their children. The maximum period allowed to elect COBRA is 60 days from the later of (1) the date coverage is lost under the Plan(s) or (2) the date they are notified of their right to elect Continuation Coverage to make their election. The Plan(s) does not provide an extension of the election period beyond what is required by law. **If a qualified beneficiary does not elect Continuation Coverage within this election period, then rights to continue health insurance end.**

If you choose Continuation Coverage you must be given coverage that, as of the time coverage is being provided, is identical to the coverage provided under the Plan(s) to similarly situated employees or family members. The law requires that you be given the opportunity to elect COBRA continuation coverage for 36 months if you lose coverage as a result of the covered employee's death, divorce, legal separation, the covered employee's enrollment in Medicare (Part A, Part B, Part C and Part D or combination there of) or a dependent child's losing eligibility as a dependent child under the health Plan. If the qualifying event is a termination of employment or a reduction in the employee's hours of employment, COBRA continuation coverage will last for 18 months. There are two ways in which the 18-month period may be extended:

### **Disability Extension of 18-month Period of Continuation Coverage**

If you or anyone in your family covered under the Plan is determined by the Social Security Administration to be disabled (for Social Security disability purposes) at any time before or during the first 60 days of COBRA coverage and the Plan Administrator is notified of the Social Security's determination within 60 days of the later of (1) the date of the Social Security's determination, (2) the date on which the qualifying event occurs, or (3) the date on which you lose coverage under the Plan as a result of a qualifying event, you and your family can receive up to an additional 11 months of COBRA continuation coverage. The Plan Administrator must receive the notification before the end of the 18-month period. If you apply to the Social Security Administration for disability benefits, they will notify you in writing of the determination. The written notification from the Social Security Administration must be sent to the Plan Administrator, if you are an active employee. If you are receiving COBRA administration coverage, you must send it to the COBRA administrator.

### **Second Qualifying Event Extension of 18-month Period of Continuation Coverage**

If your family experiences another qualifying event that results in a loss of coverage while receiving COBRA continuation coverage, the spouse and dependent children, if any, in your family may receive additional months of COBRA continuation coverage, up to a maximum of 36 months. This extension is available to the spouse and dependent children if coverage is lost as a result of the former employee's death, enrollment in Medicare (Part A, Part B, Part C and Part D or combination there of), divorce or legal separation. It is also available to a dependent child when that child stops being eligible under the Plan as a dependent child and loses coverage. In all of these cases, you must make sure that the Plan Administrator is notified of the second qualifying event within 60 days of the second qualifying event. **If you do not notify the Plan Administrator within the 60-day period, then rights to continue health insurance end.**

If a covered employee becomes enrolled in Medicare and then terminates employment or has a reduction in hours and loses coverage, COBRA continuation coverage for qualified beneficiaries other than the covered employee lasts for 36 months and begins on the date the covered employee became enrolled in Medicare.

Example: A covered employee becomes enrolled in Medicare 8 months before his employment terminates. His spouse and child are enrolled in another 28 months of coverage after his termination of employment for a total of 36 months of continuation coverage.

The law also provides that COBRA continuation coverage may end for any of the following reasons:

- (1) Your employer no longer provides group health coverage to any of its employees;**
- (2) The premium for continuation coverage is not paid on time;**
- (3) A qualified beneficiary becomes covered under another group health plan, after the date of the qualified beneficiary's COBRA election, that does not contain any exclusion or limitation with respect to any pre-existing conditions such qualified beneficiary may have;**
- (4) A qualified beneficiary becomes enrolled in Medicare (Part A, Part B, Part C and Part D or combination there of), after the date of the qualified beneficiary's COBRA election; or**
- (5) A qualified beneficiary extends coverage for up to 29 months due to a Social Security disability and a final determination has been made that the qualified beneficiary is no longer disabled.**

If you are eligible for coverage under the health flexible spending account, you (or your spouse or dependent children) may elect to continue the health FSA coverage under COBRA but only if you have a positive account balance (i.e. year-to-date contributions exceed year-to-date claims) on the day before the qualifying event (taking into account all claims submitted on or before that date). If you are eligible for COBRA coverage under the health FSA, that coverage will continue only for the remainder of the Plan Year in which your qualifying event occurred.

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. If you are determined ineligible for COBRA coverage, your Employer reserves the right to terminate it retroactively.

Under the law, you may have to pay all or part of the premium for your Continuation Coverage. There is a grace period of at least 30 days for payment of the regularly scheduled premium. ***The law also says that, 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 it is provided under the Plan(s).***

### **Trade Act of 2002**

This act expands the benefits available to you if you are displaced because production is moved outside of the United States. One of the benefits is the creation of a new second COBRA 60 day election period if you lose health care coverage because you lost your job that resulted in eligibility for trade adjustment assistance and did not elect COBRA during the regular COBRA election period. If you are eligible for trade adjustments assistance, you must notify the Plan Administrator by sending written notification to:

AA Benefit Service Center  
PO BOX 564103  
Charlotte, NC 28256-4103

You must also provide a copy of the government certification of the trade adjustment assistance.

## **If You Have Questions**

If you have any questions about the Plan or COBRA law or need to provide notification of a divorce, legal separation or a child losing dependent status, please access my.aa.com. If you have any questions, contact the Benefit Service Center at 888-860-6178, (9:00 a.m. to 6:00 p.m. CT). For more information about your rights under ERISA, including 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 telephone numbers of Regional and District EBSA offices are available through EBSA's website at [www.dol.gov/ebsa](http://www.dol.gov/ebsa).

## **Keep your Plan Informed of Address Changes**

In order to protect your family's rights, you should keep the Plan Administrator 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.