



Benefits Services, Mail Stop HQE203
 Post Office Box 711
 Tucson, Arizona 85702

Introduction to COBRA: This notice is intended to provide information about your rights and responsibilities under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). This notice does not change your status on the group health plan in any way. Rather, this notice explains rights and responsibilities you may have in the future under the following group health plan(s):

Group Health Plan
Group Health Plan(s) sponsored by UNISOURCE/ TUCSON ELECTRIC POWER

You may have other options available to you when you lose your 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 30-day special enrollment period for another group health plan for which you are eligible (such as your spouse’s plan), even if that plan generally doesn’t accept late enrollees.

If a COBRA qualifying event, which would terminate your group health plan coverage, occurs in the future, you would have the option to continue your coverage at your own expense. COBRA continuation coverage is the same group health plan coverage you had before your qualifying event. It is the same coverage provided to similarly-situated active employees who have not experienced a qualifying event, but it does not include life insurance or disability coverage. Once you and your spouse or dependents (if any) become covered by the group health plan, there are specific qualifying events that may occur that cause you to lose coverage. Those events, and the length of continuation coverage you could be allowed are:

Event	Duration of Coverage
Termination of Employment (either voluntary or involuntary, other than for Gross Misconduct)	18 months
Reduction in Hours (such as layoff, leave of absence, reduced work hours, etc.)	18 months
Death of the Covered Employee	36 months
Divorce or Legal Separation – NOTE: court ordered coverage must be done through COBRA or other means, and not directly through the employee’s/individual’s current coverage	36 months
Covered Employee’s Entitlement to Medicare	36 months
Dependent Child Ceasing to be Dependent	36 months

Bankruptcy (Title XI) of the Employer	Possible lifetime coverage for covered Retirees and their spouses and dependents only
---------------------------------------	---

If your employer provides a retiree health plan, sometimes filing a proceeding in bankruptcy under Title 11 of the United States Code can be a qualifying event. If a bankruptcy proceeding is filed with respect to UNISOURCE/ TUCSON ELECTRIC POWER, and that bankruptcy results in the loss of coverage of any retired employee covered under the Plan, the retired employee will become a qualified beneficiary. The retired employee's spouse, surviving spouse and dependent children will also become qualified beneficiaries if the bankruptcy results in the loss of their coverage under the Plan.

Health Flexible Spending Account (FSA): Generally, continuation coverage would be available only for the remainder of the plan year in which the qualifying event occurred. Special rules govern FSA eligibility under COBRA. For additional information, please refer to the summary plan description for your FSA.

You may also experience a loss of coverage "in anticipation" of a qualifying event, such as a divorce or legal separation. If that happens, continuation coverage will be offered once the qualifying event has occurred (and has been reported within the proper time frames). In that case, coverage does not have to be provided from the date of your loss of coverage to the date of the qualifying event.

Who can elect COBRA: Each employee, spouse and dependent child covered by the group health plan the day before the qualifying event and who would lose coverage due to the qualifying event would be a COBRA Qualified Beneficiary. A child born to, or placed for adoption with, the covered employee during the period of COBRA continuation would also be a qualified beneficiary, if the employer/plan administrator is notified within 30 days of the birth or placement for adoption. Each qualified beneficiary would have an independent right to elect continuation coverage under COBRA. COBRA qualified beneficiaries will have the same rights, options and requirements as similarly situated active employees. You would not have to show evidence of insurability in order to elect. Certain timeframes listed in this notice may be extended if a qualified beneficiary is incapacitated. If you experience a period of incapacitation, evidence of the dates of incapacitation must be provided to our COBRA administrator. Evidence could include a physician's statement of your inability to act on your own affairs, a hospital bill or in some cases an Explanation of Benefits. Whether the period qualifies as incapacitation is determined based on the available facts. Any delay of payment or election time frames would end if and when a person is legally appointed to act on your behalf. The word "you" throughout this notice refers to any qualified beneficiary, as described above.

How to elect COBRA: Our COBRA administrator mails COBRA notices on behalf of UNISOURCE/ TUCSON ELECTRIC POWER, and UNISOURCE/ TUCSON ELECTRIC POWER is responsible for all other COBRA administration, including COBRA elections and payments. If you have questions about electing COBRA coverage, you should contact Karen Horne at 520-917-6611. Our COBRA administrator is not an insurance company or the provider of benefits. Once a qualifying event occurs and is reported properly, UNISOURCE/ TUCSON ELECTRIC POWER will instruct our COBRA administrator to notify you, in writing, with specific information about your qualifying event. The notice will contain instructions for electing continuation coverage, as well as the last date on which you can elect. You will be allowed at least 60 days to elect continuation coverage. Verbal elections will not be accepted. If you elect continuation coverage, UNISOURCE/ TUCSON ELECTRIC POWER has the right to verify your eligibility for coverage. If you are not eligible, continuation coverage may be denied or retroactively terminated. The covered employee or spouse may elect on behalf of all other qualified beneficiaries; a parent or legal guardian may elect on behalf of dependent children. If you fail to timely elect, you will lose your right to continue

coverage. Proof of timely election is your responsibility (the United States Postal Service offers several proof of mailing services). A COBRA election is deemed made on the date it is postmarked. If you waive continuation coverage in writing, you have 60 days from the later of the loss of coverage date or the date the notification was mailed to you to revoke your waiver and elect continuation coverage. Any claims you incur during the waiver period may not be covered. Our COBRA administrator does not administer waivers of continuation coverage. Instead of waiving your COBRA rights if you do not want COBRA, you simply do not need to send in your COBRA Continuation Coverage Election Form. During your election period, you may find that you have been removed from the group health plan. Once you make a timely election and payment, your coverage will be reinstated retroactive to your Loss of Coverage date. If you do not elect, any expenses you incur will become your financial responsibility. You are not required to make a payment with your COBRA election, but coverage may not be reinstated until a timely payment is made. The timeframe for reinstatement of coverage often depends upon the insurance company. To confirm your coverage status, please call the insurance company directly.

Paying for Continuation Coverage: Once you elect, continuation coverage must be paid for from the loss of coverage date forward, in consecutive monthly increments. You may be charged up to 102% of the applicable premium (including the employer's cost). Partial months of coverage (your first and last months of continuation coverage) will be prorated. Gaps in continuation coverage are not generally permitted. All retroactive payments for coverage are due in full within 45 days of the election date. For monthly payments following your date of election, the premium is due, in full, on the first day of each monthly coverage period. Each monthly coverage period has a grace period of at least 30 days. Payments postmarked after any grace period ends (either the 45-day grace period, or a monthly 30-day grace period) are considered late, and will not be accepted. UNISOURCE/ TUCSON ELECTRIC POWER is not required to make exceptions based upon individual circumstances, and if you make a late payment, coverage will be terminated permanently, with no possibility of reinstatement. Invoices are not required, and you must postmark your payments by the monthly grace date even if you do not get an invoice. Returned checks (for instance, closed accounts, non-sufficient funds, or stop payments) are the same as no payment at all. Proof of timely payment is your responsibility (the United States Postal Service offers several proof of mailing services). A COBRA payment is deemed made on the date it is postmarked.

Extending Continuation Coverage: If, in the future, your qualifying event is the employee's Termination or Reduction of Hours (or by any other name, a qualifying event that allows for 18 months of continuation), there are two types of extensions that may allow for a longer continuation coverage period.

Social Security Disability Determination: If any qualified beneficiary is deemed disabled by the Social Security Administration, all qualified beneficiaries may receive an additional 11 months of continuation coverage (29 months from the original qualifying event). To qualify, all three of these requirements must be met:

1. The Social Security Administration must determine that the disability existed or began prior to, or within the first 60 days of continuation coverage.
2. You must provide the Social Security disability award letter before your 18-month continuation coverage period ends.
3. You must provide the Social Security disability award letter within 60 days from the later of your Event Date, Loss of Coverage date, or the date of the award notice.

You must also follow the reporting instructions found in the section "Event Reporting Procedure." During a disability extension, you may be charged up to 150% of the applicable premium (including the

employer's cost) for the coverage. If the Social Security Administration later determines that the disabled qualified beneficiary is no longer disabled, the disability extension will end. Continuation coverage will terminate for all qualified beneficiaries at the end of the month that is 30 days after the date of the Social Security Determination (but not before the end of the original 18 months). If you are deemed no longer disabled, you must report this change within 30 days, following the instructions under the section "Event Reporting Procedure."

Second Qualifying Events: If a second qualifying event that would normally cause a loss of coverage as a first qualifying event (death of the covered employee, divorce or legal separation, the covered employee's Medicare Entitlement (Part A, Part B or both), or a dependent child ceasing to be a dependent child) occurs during the 18-month continuation coverage period, the spouse and/or dependent children who are qualified beneficiaries and who would have lost coverage may receive an additional 18 months of continuation coverage (36 months from the original qualifying event). In order to be eligible for this extension, you must follow the instructions under the section "Event Reporting Procedure", and report the second qualifying event within 60 days. Please note that an employee's entitlement to Medicare typically does not constitute a second qualifying event. You must follow the "Event Reporting Procedure" below to qualify for any extension described above. Once you report one of these events, our COBRA administrator and UNISOURCE/ TUCSON ELECTRIC POWER will review your eligibility. If you are not eligible, you will receive a Notice of Unavailability that will explain why.

Conversion Coverage: After continuation coverage expires, you may be eligible to elect an individual conversion policy, if your group health plan has such an option. Conversion coverage is not the same as group health plan coverage, and it is not the same as continuation coverage. Rates and benefits may be different. For more information, refer to your plan booklet, summary plan description, or contact the insurance company directly. Please examine your options carefully before declining this coverage. You should be aware that companies selling individual health insurance typically require a review of your medical history that could result in a higher premium or you could be denied coverage entirely.

Event Reporting Procedure: As described above, you may experience events that affect your continuation coverage. Those events include:

- Death of the Covered Employee
- Divorce or Legal Separation – **NOTE: court ordered coverage for an ex-spouse must be done through COBRA or other means, and not directly through the employee's/individual's current coverage**
- Dependent Child Ceasing to be Dependent
- Social Security Disability Award
- Social Security No Longer Disabled Determination

When you experience one of these events, you must report the event using the following procedure. Failure to report one of these events in a timely manner may make you ineligible for continuation coverage. Our COBRA administrator has a form, "COBRA Event Notice," available at no charge. You may call Benefit Services at 520-884-3690 to request a form.

You must report the events above in writing, but use of the form is not required if you include the following information:

1. Name, address and phone number of the covered employee.
2. Name, address and phone number of qualified beneficiaries experiencing the event.
3. Group health plan coverage.
4. The event experienced.

5. The date of the event.
6. For Social Security Disability Awards, you must include a copy of the award letter.
7. If deemed No Longer Disabled, you must also include a copy of that letter, and
8. For all other events, you must include your signature and a statement that the event occurred as represented.

Your notice must be made within 60 days of the qualifying event, and in the case of a Social Security Disability, also within 60 days of the Award Letter and before the end of the 18-month continuation coverage period. If you are deemed no longer disabled, you must report that within 30 days of the determination.

Reasons COBRA will terminate: If you elect coverage under COBRA, you may continue coverage until the first of the following occurs:

1. The Coverage Expires date.
2. You first become, after the date you elect continuation coverage, covered by another group health plan that does not apply any pre-existing condition limitation or exclusion to you. (Note: There are limitations on plans' imposing a pre-existing condition exclusion and such exclusions will become prohibited beginning in 2014 under the Affordable Care Act.)
3. You first become, after the date you elect continuation coverage, entitled to Medicare Part A, Part B or both.
4. Your payment is not postmarked by the end of any grace period.
5. UNISOURCE/ TUCSON ELECTRIC POWER ceases to provide any group health plan.
6. During the 11-month disability extension, a disabled qualified beneficiary is deemed no longer disabled by the Social Security Administration.
7. Your coverage is terminated for cause, such as fraud, on the same basis that coverage can be terminated for active employees.

After electing continuation coverage, you or any qualified beneficiary must notify our COBRA administrator or UNISOURCE/ TUCSON ELECTRIC POWER, in writing, within 30 days of:

1. Becoming entitled to Medicare Part A, Part B or both.
2. Becoming covered under another group health plan that does not apply a pre-existing condition limitation or exclusion to you.
3. Satisfying or exhausting any pre-existing condition exclusion period under another group health plan that applied to you.

Failure to provide this notice as required may result in retroactive termination of continuation coverage. Any expenses incurred during a period for which coverage is later terminated will become your financial responsibility, and may require repayment to the providers.

HIPAA and COBRA: The Health Insurance Portability and Accountability Act (HIPAA) created the concept of Creditable Coverage, which is coverage under a health plan used to reduce the pre-existing condition exclusion period imposed by another group health plan. Continuation coverage under COBRA counts as creditable coverage. Creditable coverage counts toward fulfillment of a pre-existing condition exclusion or limitation period, thus reducing the time a pre-existing condition is not covered, as long as any gap in coverage is less than 63 days. If and when you have a qualifying event, you may reduce the possibility of a gap in coverage and the pre-existing condition exclusion period under another group health plan by electing continuation coverage. If you do not timely elect and pay for continuation coverage, you may experience a gap in coverage and may not be able to use your previous group health plan coverage as a credit toward reducing any pre-existing condition limitation or exclusion. In addition, if you do not

exhaust your continuation coverage, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such pre-existing condition exclusions. Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage ends because of the qualifying event listed above. You will also have the same special enrollment right at the end of continuation coverage if you keep continuation coverage for the maximum time available to you.

More Information: This notice does not fully describe your continuation coverage or other plan rights. You can find more complete information in your summary plan description, plan booklet or certificate. If you have questions about your COBRA rights, please contact Karen Horne at 520-917-6611. It is important to keep UNISOURCE/ TUCSON ELECTRIC POWER informed of address changes for all qualified beneficiaries. This notice contains important information about your rights and responsibilities under the COBRA law. Please keep this notice for future reference. For more information about health insurance options available through a Health Insurance Marketplace, visit www.healthcare.gov.

For further questions: Questions concerning your Plan or your COBRA continuation coverage rights should be addressed to the contact(s) identified below. For more information about your rights under the Employee Retirement Income Security Act (ERISA), including COBRA, the Patient Protection and Affordable Care Act 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) in your area or visit www.dol.gov/ebsa. For more information about the Marketplace, visit: www.HealthCare.gov.

Women's Health and Cancer Rights Act of 1998 (WHCRA): WHCRA requires a group health plan to notify you, as a participant or a beneficiary, of your potential rights related to coverage in connection with a mastectomy. Your plan may provide medical and surgical benefits in connection with a mastectomy and reconstructive surgery. If it does, coverage will be provided in a manner determined in consultation with your attending physician and the patient for a) all stages of reconstruction on the breast on which the mastectomy was performed; b) surgery and reconstruction of the other breast to produce a symmetrical appearance; c) prostheses; and d) treatment of physical complications of the mastectomy, including lymphedema. The coverage, if available under your group health plan, is subject to the same deductible and coinsurance applicable to other medical and surgical benefits provided under the plan. For specific information, please refer to your summary plan description or benefits booklet, or contact UNISOURCE/ TUCSON ELECTRIC POWER.