Mesirow Financial
LOOKS AT...

Mesirow Financial

July 31, 2009 Annual Distribution

Extended Group Insurance Benefits: Know Your Policies

Whether as a reward for employee loyalty in the form of an employment or severance agreement, or as a bargaining tool as part of a labor agreement, some employers make special extra-contractual arrangements to keep certain employees who may no longer be eligible for group insurance coverage,* on the company benefits plan(s). If your company makes this a practice, it is important that you understand the impact it may have on your group insurance policies. **In some cases, this practice may even be interpreted as insurance fraud.**

Notwithstanding COBRA's provisions for health coverage, a continuation of group insurance benefits for an employee during a leave of absence (including workers' compensation leaves), early retirement or layoff could be in violation of your group insurance policies. The Family and Medical Leave Act (FMLA) may override this issue if FMLA applies to your company.** Maternity and FMLA leaves both fall outside of this issue as they are federally mandated for companies employing at least 20 or 50 persons, respectively.

Group insurance contracts typically limit "extended coverage" — the period of time an employee or dependent can continue to be covered after the employee stops working. Coverage usually ceases soon after an employee stops working, but some contracts extend coverage for a defined period (e.g., 30 days). Some contracts do not provide for any extension. So, extending coverage to non-eligible employees — in this case, those who are not actively at work on a full-time basis (with the exception of vacation and scheduled sick time) — could be in violation of your contract(s), making you potentially and unnecessarily liable for claims incurred by the ineligible employee and his or her family members during the period in which they are not "eligible."

> "...extending coverage to non-eligible employees — in this case, those who are not actively at work on a full-time basis (with the exception of vacation and scheduled sick time) — could be in violation of your contracts..."

It is important that an applicable coverage extension request be provided to your carrier(s) in writing for their approval. If your contract(s) does allow for extended coverage, and your insurance carrier has agreed to the coverage extension, it is crucial that this provision be administered consistently (sometimes defined by class) and without discrimination. Once an extension is offered to one employee, your company has set a precedent that must be applied to all employees.

In order to determine the types, duration and amount of extended coverage your company can offer (if any), carefully read through your health care insurance policies or contact your Mesirow Financial representative.

*Employer sponsored plans provided to all or a class of employees.

**The U.S. Department of Labor states that the Family and Medical Leave Act (FMLA) applies to companies employing over 50 people within 75 miles of the worksite, with at least 50 of the employees working 20 or more work-weeks in the current or preceding calendar year. Public agencies are subject to provide FMLA regardless of the number of employees. All schools, private or public, are considered public agencies.

If you have questions regarding the content of this newsletter, please contact your Mesirow Financial representative.

To view our archive of Mesirow Financial Legislative Updates and Looks At newsletters, please visit:
http://www.mesirowfinancial.com/benefits/default.jsp

This article is intended as an overview and should not be viewed as legal advice. Please consult with your attorney if you have any questions.

321 North Clark Street | Chicago, Illinois | 60610 | 312.595.6000
One Oakbrook Terrace, Suite 500 | Oakbrook Terrace, Illinois | 60181 | 630.705.2000
610 Central Avenue | Highland Park, Illinois | 60035 | 847.681.2300
1500 South Lakeside Drive | Bannockburn, Illinois | 60015 | 847.444.1060
www.mesirowfinancial.com