

HEALTH CARE COVERAGE CHOICES: UNDER AGE 65

This document provides information about choices for continuing/obtaining health care, disability insurance and life insurance for employees leaving Schwab who are under age 65.

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COBRA

(Conexis, www.conexis.com, 888-867-7412; Schwab jumpword: cobra)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1986, when you leave Schwab, you are eligible to continue your coverage under certain Charles Schwab group health care plans for up to 18 months (29 months if you are disabled, as defined by Social Security, at the time of your termination or within 60 days of your termination). Conexis administers the COBRA program for Schwab.

- COBRA coverage includes medical (including prescription drugs and mental health coverage), dental and vision coverage, as well as the health care flexible spending account (FSA). FSA participation continues through year-end only, though, not 18 months.
- Conexis will automatically mail a COBRA election package to your home address approximately three weeks after you terminate employment.
- If you choose COBRA coverage, it becomes effective the first of the month following the month in which your termination date occurs.
- COBRA medical coverage generally ends when you turn age 65 or otherwise become eligible for Medicare, if that date occurs before the 18-month period ends. COBRA vision and dental is not affected by Medicare.

HEALTH SAVINGS ACCOUNT (HSA PPO)

- The medical plan portion of the HSA PPO Plan is eligible for COBRA.
 - If you continue your HSA PPO Plan coverage through COBRA:
 - Your health savings account at JPMorgan Chase becomes an individual retail account.
 - Schwab's contribution and your payroll HSA contributions stop. You may make contributions to your account directly to JPMorgan Chase.
 - You pay all account administrative fees. These fees will be deducted from your account.

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- If you do not continue your HSA PPO Plan coverage through COBRA:
 - Your HSA is portable and the money belongs to you. It becomes an individual retail account as described above.
 - You should not make additional contributions to your HSA unless you enroll in another qualified high-deductible health plan.
 - Call CIGNA at 1-800-595-1213 for more information on your HSA PPO Plan after termination.

CAL-COBRA

COBRA participants who have coverage under an insured health plan in California (currently Kaiser) can continue their group coverage under what is known as Cal-COBRA for up to an additional 18 months, for a total of 36 months between COBRA (federal) and Cal-COBRA.

- Your health plan should send you a notice regarding Cal-COBRA as your federal COBRA is ending. Contact your health plan for more information on Cal-COBRA.
- If you live outside of California, you may be entitled to continued coverage under state law. Contact your HMO for more information.
- NOTE: The Core PPO, HSA PPO, and Out-of-Area plans, administered by CIGNA, and the Copay Plan, administered by UnitedHealthcare, are not insured plans and are not subject to Cal-COBRA or other state laws regarding continuation coverage.

INDIVIDUAL MEDICAL POLICY CHOICES ONCE COBRA ENDS

- Once you have exhausted COBRA coverage, if you have no other group medical insurance choices, such as coverage under a spouse's or domestic partner's group plan through their employer, a continuation of your group coverage due to state law (such as Cal-COBRA — see above), or another group plan through your own employer, you may want to obtain an individual policy for medical coverage.
 - Generally, there are limited choices for obtaining individual dental or vision coverage once COBRA ends.
 - We recommend you begin researching and obtaining medical coverage well in advance of your COBRA end date, because it can take several months.
- The **Health Insurance Portability and Accountability Act (HIPAA)** requires states to make health care available to qualified individuals.
 - Conexus will send you a HIPAA certificate automatically when you terminate employment with Schwab and again when your COBRA coverage ends. This certificate:
 - proves you have had continuous medical coverage for the last 63 days.
 - guarantees you can transfer your medical coverage from one group plan to another (called “portability”), without medical certification, provided that you do not have more than a 63 day break in coverage.
 - protects you from waiting periods imposed due to pre-existing conditions.
 - may be used when applying for individual underwritten and guaranteed-issue plans (see below) to request a waiver of any pre-existing condition waiting period.
 - For more information, please see the HIPAA section below.

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Underwritten Policies

- With an individual underwritten policy, acceptance for coverage is subject to medical certification by the insurance company (you need to provide evidence of good health to be covered).
- Underwritten plans are offered by many insurance companies (check your local phone book or the Internet), including many of Schwab's health plans.
- Check with your health plan to see if it offers individual policies.
- If you have a pre-existing condition and are not able to qualify for an underwritten plan, ask the insurance company or HMO if it offers an individual policy that honors your HIPAA certificate. (See below for more information about HIPAA.)

HIPAA and Guaranteed-Issue Policies

- The Health Insurance Portability and Accountability Act (HIPAA) requires states to make health care available to qualified individuals.
- States have implemented HIPAA in different ways. For instance:
 - Health insurance companies in California that offer individual plans must also offer HIPAA plans, although the number of plan choices is limited.
 - Idaho, Iowa, Kentucky, Maine, Massachusetts, New Jersey, New York, Ohio, Rhode Island, South Dakota, Utah and Vermont have "guaranteed issue laws" that require insurance companies to offer individual health care policies regardless of pre-existing conditions.
- HIPAA plans offer guaranteed coverage, and approval is not subject to medical certification. However, these plans are usually more expensive than underwritten plans.
- To qualify for a HIPAA plan, you must meet certain criteria, such as you must have exhausted your COBRA coverage (if eligible), and not have a break in coverage of more than 63 days.
- Sources for HIPAA and guaranteed-issue plans include:
 - **Blue Cross/Blue Shield Association.** Check your local phone book for the Blue Cross/Blue Shield number, or log on to www.bcbs.com.
 - **CIGNA HealthCare.** Check your local phone book for the CIGNA number, or log on to www.cigna.com.
 - **American Association of Retired Persons,** www.aarphealthcare.com, 800-523-5800 offers supplemental plans for people age 50 and older.

Conversion Policies

- Kaiser offers a conversion policy. Contact your Kaiser member services department at the number on your ID card for information and the timeline is for applying and making your first premium payment. There is often a 31-day deadline for the application, so be sure and call in advance of your other coverage ending.
- Benefits through a conversion plan are generally not as good as the benefits under the group plan. Be sure to review the conversion policy carefully.
- These plans cover you and any eligible dependents after your COBRA coverage ends.

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- Conversion policies provide guaranteed coverage and are available without medical certification (you do not have to show evidence of good health).
- For information, call the Member Services group for your health plan.
- The Core PPO, HSA PPO, and Out-of-Area plans, administered by CIGNA, do not have a conversion option, and neither does the Copay Plan, administered by UnitedHealthcare.

State-Sponsored Plans for High-Risk Individuals

- Your state may offer a state-sponsored health plan. Check your state government's Web site for information.
- California offers a Major Risk Medical Insurance Program to residents who may have a pre-existing condition and have been denied individual coverage in the last 12 months, or have been offered coverage with rates higher than the major risk plan. To qualify, you must be ineligible for COBRA, or have exhausted COBRA coverage.

Consumer's Guide to Getting and Keeping Health Insurance

You have rights under federal and state law that will protect you when you seek to buy, keep, or switch your health insurance. For a summary of the types of plans available to you, visit <http://www.healthinsuranceinfo.net> to view or print a consumer's guide to health coverage for your state.

Cost of Coverage

There can be a great deal of variation in the cost of coverage depending on a number of factors, including your age, the carrier, and the coverage levels of the plan you choose. It is in your best interest to research a number of options and compare prices and coverage levels.

LIFE AND AD&D INSURANCE CONVERSION

- When your coverage terminates, you may port or convert your group Basic Life, Supplemental Life, and/or or Dependent Life coverage.
- **Portability – continuing group coverage**
 - When your group life insurance coverage ends, you are eligible to port your basic and supplemental life coverage if you are age 79 or younger and you were actively at work the day before you lost your eligibility under the plan.
 - Up to \$1,000,000 of existing life insurance may be ported (50% of existing amount to \$500,000 if you are 70 or older when you port).
 - Coverage reduces by 50% when you attain age 70 and terminates when you attain age 80, or if the group policy terminates.
 - If you elect to port your employee life coverage, you can also elect to port any dependent life insurance in force at that time. All of your child life coverage can be ported, and up to \$150,000 of your spouse or qualified domestic partner coverage can be ported (\$75,000 if your spouse is 70 or older). A spouse or qualified domestic partner's coverage reduces to 50% at age 70. Dependent ported coverage ends on the earliest of t(1) the dependent no longer meets the definition

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- of an eligible dependent, (2) your ported coverage ends, or (3) the group policy ends.
- To port coverage, you must complete and return a Portable Term Election form to Minnesota Life within 31 days of termination of coverage. Call Minnesota Life at 1-866-293-6047 to request the form.
- **Conversion – converting to an individual policy**
 - When your group life insurance coverage ends, you are allowed to continue coverage by converting your Basic Life and/or Supplemental Life coverage to an individual policy.
 - You have 31 days from the time your Schwab coverage ends to apply for the conversion policy, and no medical exam is required provided you apply during the 31-day period after your coverage ends.
 - To convert coverage, call Minnesota Life at 1-866-293-6047 and Minnesota Life will send you information explaining your eligibility and options for continuing your Basic Life and/or Supplemental Life as an individual plan. You may also elect to continue a smaller amount.
 - If your coverage ends because the Schwab plan is terminated or changed, limits on conversion will apply.
 - If you should die within that 31-day application period, the amount you could have converted may be paid to your beneficiary, even if you hadn't applied for that coverage.
- You are responsible for the full cost of your ported or converted coverage.
- You cannot both port and convert the same coverage.
- No conversion policy provision is available for the AD&D insurance.
- For details about portability and conversion, contact Minnesota Life at 1-866-293-6047.

LONG TERM DISABILITY INSURANCE CONVERSION

- When your coverage terminates, you may be eligible to convert your long-term disability coverage to an individual policy. If your coverage terminates due to retirement (ending your working career) or if you are on a leave of absence when you terminate employment, you are not eligible to convert LTD coverage. Other restrictions may apply.
 - To qualify, you must have been covered by one of the Schwab LTD plans for 12 consecutive months prior to your termination.
 - Conversion coverage is subject to medical certification by the insurance carrier (currently Liberty Mutual).
 - You have 31 days from the time your Schwab coverage ends to apply for the conversion policy.
 - Your cost of coverage will depend on your age.
- Benefits under the conversion option vary from the Schwab LTD plan options.
- Contact HR Direct at 1-800-725-3535 for an application form.
- Contact Liberty Mutual, Schwab's long-term disability carrier, at 1-888-786-2688, and reference Schwab's group (#GF3-860-064556-01) for more information.