

SEAFARERS HEALTH AND BENEFITS PLAN

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Margaret R. Bowen
Administrator

THIS LETTER CONTAINS IMPORTANT INFORMATION ABOUT YOUR BENEFITS.

October 15, 2013

Dear Plan Participant:

The Seafarers Health and Benefits Plan ("SHBP" or "Plan") is required to make some changes in 2014 in order to comply with the requirements of the Affordable Care Act. The Plan is changing its eligibility rule, so that no one will have to wait more than 90 days (of employment) to qualify for benefits. The Plan is expanding its coverage of children between the ages of 18 and 26, and is removing certain limits.

Change to Eligibility Rules

Effective January 1, 2014, the Plan will have a new rule for determining whether you are eligible for benefits. The current rule of 125 days in the previous calendar year and 1 day in the last 6 months will no longer be required. Beginning next year, eligibility for existing employees will be based upon a 6 month period, instead of based on the prior calendar year. The year will be divided into two 6 month periods (January 1 – June 30, and July 1 – December 31). There is a change in the manner in which a new employee establishes eligibility, as well as the way in which an employee who loses eligibility must re-establish it. The following is a description of how the new rule applies:

Initial Eligibility: A new employee will become eligible for benefits after 90 days of continuous employment. Employment is considered to be "continuous" if there is a break of less than 90 days between jobs. Only days of employment for a company that is required to make contributions to the SHBP on the employee's behalf count for determining initial eligibility.

Maintaining Eligibility: After you establish eligibility for benefits, **you must have at least 60 days of covered employment during a 6 month period in order to be eligible for health benefits in the next 6 month period. This means that if you have 60 days of covered employment any time between January 1 and June 30, 2014, you will be eligible for coverage from July 1 through December 31, 2014.** “Covered employment” may also include certain time when an employee attends upgrading classes at the Seafarers Harry Lundeberg School of Seamanship (“SHLSS”), and certain time when an employee receives Sickness and Accident benefits. It may also include time when an employee receives Maintenance and Cure benefits if the employer is paying the appropriate contribution rate, and the employee was eligible for benefits when the Maintenance and Cure began.

Please note, there will be a transition period, so that no employee will be adversely affected by this new rule. During the first six months of 2014, the old eligibility rule will apply. This means that from January 1, 2014 through June 30, 2014, you will be eligible for benefits if you had 125 days of covered employment in 2013, and 1 day of covered employment in the past 6 months. However, if you did not have eligibility under the old rule at the beginning of the year, you will be able to establish eligibility after 90 days under the new rule for Re-establishing eligibility. **Beginning on July 1, 2014, you will only be eligible for benefits if you meet one of the new eligibility rules.**

For purposes of maintaining eligibility for benefits, there is no change in the way that the Plan will count the days you attend upgrading classes at the SHLSS, days when you receive Sickness and Accident benefits and days when you receive Maintenance and Cure.

Re-establishing Eligibility: **If you lose eligibility for benefits, there is a new rule to re-establish eligibility. You will re-establish eligibility after working 90 days in continuous covered employment.** Employment is considered to be “continuous” if there is a break of less than 90 days between jobs or other covered employment. For this purpose, covered employment also includes certain time when you attend upgrading classes at SHLSS, provided that you meet the School’s eligibility rule of 125 days of covered employment in the calendar year prior to the year in which you attend the class.

Once you reach the 90th day of covered employment, you will be covered for the rest of that six month period. For example, if you reach your 90th day on January 30, you will be covered through June 30th. However, in order to be covered in the next 6 month period (July through December) you will still need 60 days of covered employment between January 1 and June 30. **There is one exception to this rule, which will only apply if you reach your 90th day of covered employment in either June or December.** This will carry your eligibility until the end of the following 6 month period, as long as you accrued at least 30 days of covered employment during the 6 month period in which you reached your 90th day.

Determining Eligibility for Core-Plus or Core Benefits: If you are a new employee, and you complete 90 days of covered employment, you will receive the level of benefits for which the Plan received the majority of contributions.

If you are not a new employee, and have enough days of covered employment to be eligible for health benefits, you will receive Core-Plus benefits if 45 or more of those days were working for an employer that is obligated to contribute to the Plan on your behalf at the Core-Plus rate. If you have enough days of covered employment to be eligible for benefits, and 45 or more of those days were working for an employer that is obligated to contribute to the Plan at the Core rate, you will be eligible for Core benefits.

If you meet all of the requirements for more than one benefit level, you will receive the highest level of benefits for which you qualify.

Pensioners: There is **no change** in the number of days that you need to qualify for a pension. If you retire on a disability pension you must have at least 4,380 days of covered employment to receive health benefits. If you retire on any other type of pension you must have 5,475 days of covered employment to receive health benefits as a pensioner. You will also need to satisfy the SHBP eligibility rule in effect in the year prior to the date in which you become eligible for and apply for a pension. This means that if you retire in 2014, you will need to satisfy the old rule of 125 days in the year prior to retirement; however, in 2015 and thereafter, you will need to have at least 60 days of covered employment in the two consecutive six month periods prior to the date on which you become eligible for and apply for a pension. For example, if you retire in August 2015, you would need 60 days of covered employment during the period from January through June 2015, and 60 days during the period from July through December 2014 in order to be eligible for pensioner's health benefits.

Other Plan Changes in 2014

Coverage of Children up to Age 26 regardless of Other Coverage: Beginning on January 1, 2014, the Plan will provide health coverage for your children up to age 26, regardless of whether they are eligible for other coverage through their employment. You will no longer need to fill out an Affidavit for Dependent Child to obtain coverage.

No Pre-existing Condition Exclusions: Effective on January 1, 2014, the Plan will no longer exclude coverage for any health condition that you had prior to becoming a participant in this Plan.

No Annual Limits on Certain Essential Health Benefits: Effective January 1, 2014, the Plan will not have any annual limits on the following benefits:

- **Cardiac Rehabilitation.**
- **Pediatric preventive dental care.** Pediatric preventive dental care includes all preventive dental services provided to participants **under age 19**, but does **not** include orthodontia. Current limits on orthodontia will remain in place.

Reminder about the Plan's Grandfathered Status

The Plan would also like to remind you that the Seafarers Health and Benefits Plan believes it is a "grandfathered health plan" under the Patient Protection and Affordable Care Act (the Affordable Care Act). As permitted by the Affordable Care Act, a grandfathered health plan can preserve certain basic health coverage that was already in effect when that law was enacted. Being a grandfathered health plan means that this Plan may not include certain consumer protections of the Affordable Care Act that apply to other plans, for example, the requirement for the provision of preventive health services without any cost sharing. However, grandfathered health plans must comply with certain other consumer protections in the Affordable Care Act, for example, the elimination of lifetime limits on benefits.

Questions regarding which protections apply and which protections do not apply to a grandfathered health plan and what might cause a plan to change from grandfathered health plan status can be directed to the Plan Administrator at 5201 Auth Way, Camp Springs, MD 20746. You may also contact the Employee Benefits Security Administration, U.S. Department of Labor at 1-866-444-3272 or www.dol.gov/ebsa/healthreform. This website has a table summarizing which protections do and do not apply to grandfathered health plans.

Questions?

If you have any questions about the changes listed above, or about any of your benefits, feel free to contact the Plan at 1-800-252-4674.

Sincerely,

Margaret R. Bowen
Administrator