



Client Update

New York State Insurance Laws

August 17, 2009

On July 29, 2009, Governor Paterson signed two health care reform bills that affect insurance policies issued in the State of New York.

COBRA. Under the New York Mini-COBRA law (for companies with 2-19 employees), employees who lost health coverage due to a termination of employment or reduction in hours were eligible to elect continuation coverage for a maximum period of 18 months. Under the new law, insurance carriers are required to offer continuation coverage for up to 36 months for all qualifying events. In addition, individuals who lose federal COBRA coverage before the end of 36 months are now eligible to continue coverage for up to 36 months.

The new law becomes effective for all health insurance policies issued, renewed, modified or amended in New York on or after July 1, 2009.

Dependent Children. The definition of a dependent child, under New York law, does not include a maximum age for which coverage must be provided under a health insurance policy. The new law requires insurance carriers to offer an *option* to employers to extend coverage to dependent children up to age 30. The child must be unmarried, not covered under another group health plan and not eligible for Medicare. There is no requirement that the child be financially dependent on the employee. The employee will be responsible for paying the premium, not the employer.

The new law becomes effective for all health insurance policies issued, renewed, modified or amended in New York on or after September 1, 2009.

Employers should be aware of possible federal tax implications under the new Dependent Children law. Benefits for children who meet the definition of "dependents" under the Internal Revenue Code are not taxable; they are excluded from the employee's gross income and contributions are tax free under Section 125 plans. If the child does not meet the federal definition, contributions attributable to that child cannot be made under Section 125 and the employee will receive imputed income for the value of the coverage for the child.

Should you have any questions regarding these changes, please feel free to contact Benemax Compliance Officer Walter Hiltz at 800-528-1530, extension 120.

