

## REPORT DATA FOR COBRA SUBSIDY

In June, we told you about our new monthly COBRA subsidy report. The purpose of the report is to provide you with confirmation of the dates Principal Life Insurance Company (Principal Life) received 35% premium payments from Assistance Eligible Individuals (AEI). You can then use the report as an aid when claiming the 65% subsidy as a credit on your quarterly employment tax return (Form 941).

Following our delivery of our first two months of subsidy reports, we received valuable feedback from some of our clients regarding the frequency the report. Based on that feedback, we have been evaluating feasibility of moving to a quarterly versus monthly report. This communication is being sent to provide notice that we will be moving to quarterly reports effective immediately.

### Benefits to a Quarterly Report-

- Quarterly delivery will synch well with the timing of your Form 941 filing, eliminating the need for you to retain copies of monthly reports until it's time for your Form 941 filings.
- Quarterly delivery also helps reduce the need to report corrections to data. Example: On August 15, 2009, Principal Life received 35% premium payment for the coverage month of August from an AEI. On September 25, 2009, the AEI submits notice of eligibility for other coverage effective August 1, 2009, resulting in ineligibility for COBRA premium reduction effective as of August 1, 2009.

Handling based on current monthly report cycle: Principal Life would report the 35% payment received on August 15, 2009 with our August subsidy report that would issue on September 15, 2009. Principal Life then receives notice of the eligibility for other coverage on September 25, 2009 (after subsidy report was issued), resulting in that August 35% payment being ineligible for subsidy. This would require we report a correction to the record on a future subsidy report.

Handling based on a quarterly report cycle: Principal Life would not report the 35% payment received on August 15, 2009 until end of 3rd quarter. This means when Principal Life receives notice on September 25, 2009 of the other coverage, we would have adequate time to make the correction before having reported the 35% payment. This ultimately means less of a chance that you would need to file an amended Form 941.

### Other Report Information-

- Timing of Report - movement to a quarterly delivery will result in reports being issued on the 15<sup>th</sup> of the month following the end of the quarter. July/August/September will be delivered on October 15<sup>th</sup>; October/November/December will be delivered on January 15<sup>th</sup>; etc.
- Delivery of Report - this report will be provided electronically in Excel format. Because the report contains Protected Health Information (PHI), it will be sent via Secure Message. You will receive an email notification in your inbox upon delivery of the report, confirming you have a message in the Principal Financial Group Message Center.
- Structure of Report - if you have multiple COBRA billing units, a separate subsidy report will be issued for each unit.
- Content of Report - we have included as an attachment, a sample report that also includes an overview of the data elements within the report. You may wish to print or store this attachment, as a future point of reference.
- Reporting of Payments - we will report 35% premium payments received during the quarter, provided the payment is for a coverage month in the same quarter (or a coverage month from a prior quarter).

Example A: 35% premium payment is received on August 30, 2009 that is sufficient payment for coverage months of August/September. We would report all of the August 30<sup>th</sup> payment on our 3<sup>rd</sup> quarter subsidy report.

Example B: 35% premium payment is received on August 30, 2009 that is sufficient

payment for coverage months of August/September/October. We would report the portion of the payment covering the months of August/September on our 3<sup>rd</sup> quarter subsidy report. We would hold the portion of the payment representing October as a credit on the record, and that portion of the August 30<sup>th</sup> payment would be reported on our 4<sup>th</sup> quarter subsidy report (since the payment is for a coverage month falling in 4<sup>th</sup> quarter).

The effective date of this change will be July 2009; this means that all 35% premium payments received by Principal Life during 3<sup>rd</sup> quarter (July/August/September) will not be reported until October 15<sup>th</sup> 2009. Payments received during subsequent quarters would be issued based on the schedule referenced under "Timing of Report".

The payments that Principal Life previously reported to you via our May and/or June subsidy reports will not be included on any future report unless an adjustment is needed to the prior data due to unforeseen changes to a record. As a result, it will be important that you retain those May and June reports and ensure that you've properly claimed subsidy credit on those payments.

We hope you find this change beneficial. If you have any questions on this change or on the subsidy reports themselves, please don't hesitate to contact us. Thank you!

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