

CASE LAW

COBRA Ending Events

Chaganti v. Sun Microsystems & Ceridian

(Ninth Circuit Court of Appeals, 2006 WL 3431753 (9th Cir. 2006))

All three parties involved in this case – Naren Chaganti, Sun Microsystems and Ceridian – learned that when it comes to COBRA administration, the proverbial saying is true: “Time waits for no one.”

When Chaganti was terminated by Sun Microsystems in November 2001, Sun provided Ceridian with the wrong address for sending the COBRA election notice. Thus, Chaganti never received the notice. In fact, it was not until May 2002 that Chaganti heard that Ceridian was administering COBRA for Sun. After contacting Ceridian and receiving an election notice, Chaganti elected and paid for his COBRA coverage through June 2002.

However, coverage for July 2002 was problematic. Chaganti did not mail the check for July until August 3 – which was past the end of the 30-day grace period for premium payments. Ceridian had sent Chaganti a total of three reminders that his July payment was due on July 31: invoices sent in June and July and special notice sent on July 23. On August 7, Ceridian sent a termination notice to Chaganti, indicating that his coverage was terminated.

Chaganti offered three reasons why coverage should not have been terminated. First, he claimed that Ceridian should not have applied his initial payment retroactively to his qualifying event date but prospectively from his election date. Second, he argued he should have had more time to make his retroactive payments because of the delay in receiving the election notice. Third and finally, he argued that he never received a proof of insurance card; thus, coverage termination was inappropriate.

On the delay in receiving the COBRA election notice, the District Court awarded Chaganti \$2,292 (or \$12 per day for the 191 days of delay). It could have been worse. In its discretion, the District Court could have awarded up to \$110 per day (\$21,010).

On the delay in receiving the July premium payment, the District Court granted summary judgment to Ceridian. Chaganti’s three excuses were contradicted by existing COBRA law and regulations. The 30-day premium payment grace period stands on its own and is not conditioned on other factors as Chaganti argued.