

## QUESTIONS FROM FACULTY ASSOCIATION REGARDING “OTHER INSURANCE OPTIONS” AND HUMAN RESOURCES RESPONSES

- 1. Is the college actively looking for another provider of dependent life insurance that we can use our HWB dollars for? I was told I can buy dependent life insurance on my own dime because the college no longer offers it, but of course why would I want to spend my own money when I'm losing (or giving back) money to the college that I am not allowed to take out to pay for this dependent insurance? It would be like paying for it twice.***

No, according to American Fidelity, our Section 125 administrator, dependent life insurance is not a Section 125 eligible benefit. A brief explanation is listed below.

In 1992 NVC employee groups choose to participate in the Section 125 Flexible Benefit Plan, so premium out-of-pocket expenses for eligible insurance products could be paid through payroll on a pre-tax basis. Flexible Benefits is a broad term generally used to describe any arrangement under which an employee can elect different types of benefits. The District benefit allotments and all eligible insurance products are included under our Section 125 Flexible Benefit Plan administered by American Fidelity. American Fidelity agreed to administer the NVC Section 125 Flexible Benefit Plan for free provided the District allows American Fidelity to offer AF insurance products and TSA services to District employees. Eligible insurance currently includes district-sponsored medical, dental, vision, group-term life, accidental death and dismemberment, accident, disability, cancer and hospital indemnity insurance. Previously, AF added a variety of life insurance products that were marketed to employees as Section 125 eligible products.

In 2008, American Fidelity informed the District that all life insurance policies being sold through American Fidelity did not qualify under Section 125 based on the IRS code. Therefore, as of January 1, 2009, employees could no longer use district benefit dollars to purchase these products. Additionally, the District was informed that all dependent life insurance is not Section 125 eligible and that employees could not use the district benefit dollars under the Section 125 plan to purchase dependent life insurance.

At that time, HR informed employee association presidents and all employees using district benefit money to purchase these products that they needed to choose to have the premiums taken off their salary through a post-tax payroll deduction or cancel the insurance.

- 2. I was told that they would try to find another provider as 1) this is important piece of mind for spouses and families if anything should happen to us 2) we should have the right to spend all of our HWB dollars and not have to give the difference back to the college because they cannot provide more products for supplemental insurance. I just had another \$170 that I put part of to riders on top or riders for***

***things like accidents, disability, etc.—things I already have coverage for but didn't want to waste what is supposed to be part of my salary and benefits.***

In July 2011, HR contacted American Fidelity to determine if any new insurance products were available or if American Fidelity life insurance products have been added, which would qualify under Section 125. The American Fidelity representative informed HR that AF had not added any new products or life insurance options that are Section 125 eligible. However, AF had added riders to some of the other AF insurance products. Thus, employees could enhance existing insurance products using district benefit dollars.

Annually, HR contacts AF to discuss possible additional insurance options and possible legislation that would allow long-term care or other insurance options to become Section 125 eligible. As of this date, there are no new AF products available and no new regulations allowing for long-term care insurance to be Section 125 eligible.