

Non-Employer Sponsored Premium

Most often employees fund their Cafeteria Plan to cover premiums for insurance that is sponsored by their employers. The Plan also allows employees to fund for insurance premiums that are **not** employer sponsored, but rather that are individually purchased by the employee. To clarify, an individual purchased insurance is a policy that an employee purchased on their own. This individually purchased insurance may be run through a Premium Reimbursement Account within a Cafeteria Plan.

One restriction does apply in respect to just which premiums may be reimbursed through a Premium Reimbursement Account. The code specifically states that an "employer-sponsored premium" **does not qualify**. For example: Ann the employee and her husband Tom are enrolled in his employer-sponsored health insurance plan. Tom's employer has no Cafeteria Plan; therefore they would like to run the premiums through Ann's Cafeteria Plan. They cannot do so, as his Plan is defined as another "employer sponsored premium."

The following types of insurance may be funded through a premium reimbursement account:

- Individually purchased health insurance for the employee, spouse, or dependent.
- Individually purchased term life and disability insurance for the employee only (\$50,000 benefit limit).
- Individually purchased dental insurance for the employee, spouse, or dependent.
- COBRA premium (this premium is not considered "employer sponsored" as the employee is no longer employed by the company sponsoring the insurance).
- Health insurance that may be deducted from retirement benefits provided through a previous employer.

Note: The code also specifies that the premiums cannot be run through the medical flexible spending account. Instead, they must be funded through a separate reimbursement account.

*Term Life
 Limit by IRS 50,000
 ISI provides 20,000
 by outside company 30,000*

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