



CONSECO<sup>®</sup>  
Step up.<sup>SM</sup>

What's on  
**the Menu**  
for employers?



**Section 125**  
**Cafeteria Plan**

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*Offered by*

CONSECO HEALTH INSURANCE COMPANY

CONSECO VARIABLE INSURANCE COMPANY

WASHINGTON NATIONAL INSURANCE COMPANY



# What's on the menu?

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Our Cafeteria Plan offers you and your employees the best choices for your needs

We have witnessed many changes in the insurance industry and with the needs of our clients throughout the years. We have seen the impact of constantly rising employee benefit costs, and we have responded by offering employers our Section 125 Cafeteria Plan service.

We believe it is our obligation to communicate the advantages of cafeteria plans and how they can save money for you and your employees.

In many cases, companies may not take advantage of this great service because they don't understand what it is and how it works.

# How a Cafeteria Plan can help you

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You now have the option to help your employees and yourself save money by taking advantage of our Section 125 Cafeteria Plan service. By offering this service, we are showing once again that helping people is what good business is all about.



Often we see the cost of insurance rising at a faster rate than an employee's income. By offering our Cafeteria Plan, at least some of your employees' costs can be offset.

# **Your advantages** **in offering a** **Section 125 Cafeteria Plan**

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## **Employee tax savings**

Insurance premiums are deducted from your employees' salaries before taxes, thus reducing their taxable income. Due to this reduction in income, federal, state and FICA taxes are reduced.

## **Increased take-home pay**

Because your employees' taxes are reduced, generally their net take-home pay increases. They have the option to use the money to purchase more insurance coverage for themselves and their families.

## **Employer tax savings**

Reducing salaries paid means lower wages reported to the IRS; therefore, you pay less in matching FICA tax, where applicable.

## **Tax-free benefit payments**

Except for disability income benefit payments, participants receive benefits from their policies tax-free.

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## Cost control

Establishing a Cafeteria Plan allows you to have better control over the cost of providing benefits to your employees. Instead of having to shop for a complete set of benefits, you can add or delete products one at a time.



## Choice

Your employees are able to choose the type and amount of insurance that fits their needs. They are no longer required to fit into one or two “molds” that may or may not offer everything they need. A Cafeteria Plan can give your employees the security of knowing that you care about them and their future.

## Lower employee turnover

Cafeteria Plans help enable you to attract and retain the best employees.

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Clearly, our Cafeteria Plan has a lot to offer to both you and your employees. The only requirements for placing a Cafeteria Plan are to offer one of our voluntary insurance products and meet the company's minimum participation requirements. We offer the following policies:\*

- Intensive care unit coverage
- Disability income insurance
- Dental coverage
- Term life insurance
- Accidental Death and Dismemberment insurance
- Hospital confinement coverage
- Cancer insurance
- Heart/Stroke insurance
- Vision coverage

*\* The above products are subject to state approval and may not be available in all states.*

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We offer three levels of service to assist employers with implementation of Section 125 Cafeteria Plans:

**Level I services**

- We provide you with a checklist of actions to ensure that your plan is in compliance with Internal Revenue Service (IRS) and Department of Labor (DOL) rules for Cafeteria Plans.
- We provide a plan document and specimens of the various items that you must file with the IRS and DOL and give to plan participants.

**Level II services**

We will:

- Provide all Level I services.
- Provide a plan document.
- Conduct one-on-one meetings to evaluate the employee's individual needs and to enroll each one in the plan, if the employee elects to participate.
- Provide enrollment materials.

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## Level II services (cont.)

- Prepare and distribute Summary Plan Descriptions to plan participants and to the employer. File Summary Plan Description with the DOL.
- Review employee elections and census for compliance with nondiscrimination requirements of Cafeteria Plans upon request.
- Prepare Form 5500 (Annual Return/ Report) and/or required schedules for filing with the DOL.
- Disburse reimbursement account funds.
- Provide quarterly and annual statements to participants to inform them of total payments and the balance remaining, if applicable.

## Level III services

We will:

- Provide all Level I and Level II services.
- Verify and process reimbursement requests for Flexible Spending Accounts to ensure compliance with IRS regulations.

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We have been administering Cafeteria Plans since 1986. Today, we administer more than 300 plans for more than 52,000 participants. An experienced team of highly trained employees makes it possible for us to deliver quality customer service.

Our agents and home office staff are committed to giving you the best service possible. We recognize that we need to create and maintain open communication channels in order for a Cafeteria Plan to be successful. You can rely on our agents for timely answers to your questions, and a home office staff is available full time to directly support you, our customer.



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# The annual advantage

## Estimated taxable income reduction

What is the average monthly cost of an employee's major medical insurance?

\$ \_\_\_\_\_

- Dependent insurance \$ \_\_\_\_\_
- Qualified cancer insurance \$ \_\_\_\_\_
- Qualified accident insurance \$ \_\_\_\_\_
- Qualified hospital indemnity insurance \$ \_\_\_\_\_
- Other qualified supplemental health insurance \$ \_\_\_\_\_

**Monthly total:** \$ \_\_\_\_\_

**Monthly total  
x 12 months =  
Annual total:** \$ \_\_\_\_\_

- With a Section 125 plan, federal income tax, FICA, and (depending on the state in which your business is located) state and local taxes are not deducted from the redirected portion of the employee's salary.
- You may save approximately 10% in payroll taxes on every dollar an employee elects to contribute to a Section 125 plan.

Employer's payroll tax savings on above annual total:

\$ \_\_\_\_\_

Multiply this average payroll tax savings by the number of employees:

x \_\_\_\_\_

**Employer's possible total annual tax savings:**

\$ \_\_\_\_\_

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## Section 125 checkup

Answer these questions to see how your plan stacks up.

1. Do you currently deduct your employee's portion of qualified health insurance premiums on a pretax basis through a Section 125 plan? (If you answered yes, skip to question 4.)  
 YES  
 NO
2. Do your employees contribute toward the cost of the company's major medical insurance or other health, dental or vision insurance?  
 YES  
 NO
3. Is your business a partnership, limited liability corporation (L.L.C.), sole proprietorship or Subchapter S corporation?  
 YES  
 NO

*If you answered yes to question 2, you and your employees may benefit from implementing a Section 125 plan. You could save on payroll taxes such as FICA, and your employees could save on federal income tax, FICA tax, or (where applicable) state or local income taxes. If you answered no, you probably don't need a Section 125 plan at this time, but you should consider implementing a plan if you intend to start requiring your employees to contribute toward their health insurance costs.*

*If you answered yes to question 3, the owner, partners, members of an L.L.C. or greater than 2% shareholders (Subchapter S) cannot participate in the plan; however, you may still implement a Section 125 plan for your employees. If you answered no, all employees may participate in the plan.*

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4. Do you have a written plan document in your files?  YES  NO

5. Have you properly amended your plan to reflect any changes that you made to the plan year, eligibility requirements, benefits or IRS regulations? \*  YES  NO

*\* There have been changes in IRS regulations in 1997 and 1998.*

6. Have your employees received a copy of the current summary plan description?  YES  NO

7. Is the total of all benefits for key employees in the plan no more than 25% of the total of all benefits in the plan?  YES  NO

8. Do you have current signed election/enrollment forms on file for all eligible employees?  YES  NO



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## Section 125 checkup

9. Do you require all election changes to be made only during the open enrollment period each year unless the employee has experienced a valid change in family status as outlined in Section 125 regulations?  YES  NO
10. As your new employees become eligible for participation in the plan, are you having them complete election/enrollment forms?  YES  NO
11. Have you or has your accountant filed Form 5500 with the IRS each year?  YES  NO
12. Are the premiums for all policies that include a return of premium, building or accumulating benefit deducted on an after-tax basis outside of the Section 125 plan?  YES  NO

*If you answered no to any of these questions, your plan may be out of compliance with Section 125. The Internal Revenue Code provides for significant penalties for failure to comply with these requirements. The severity of penalties depends on the severity of the infractions. You may want to consult with a tax professional regarding your Cafeteria Plan.*



*Conseco Health Insurance Company,  
Conseco Variable Insurance Company and  
Washington National Insurance Company  
are subsidiaries of Conseco, Inc., a financial  
services organization headquartered in  
Carmel, Indiana. Conseco, through  
its subsidiary companies, is a leading source  
for insurance, investment and lending  
products, helping 13 million  
customers step up to a better,  
more secure future.*

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