

the group policy must be reinstated retroactively, and the premiums already paid on the conversion policy must be refunded to the individual.

(c) An individual who meets the requirements under paragraphs (a) or (b) of this section or § 870.706 for continuation or reinstatement of life insurance must complete an election, in a manner designated by OPM, at the time entitlement is established. For the election to be valid, OPM must receive the election before OPM has made a final decision on the individual's application for annuity or supplemental annuity or an individual's request to continue life insurance as a compensationner. If there is no valid election, OPM considers the individual to have chosen the option described in paragraph (a)(2) of § 870.702.

(d) If the annuity or compensation of an insured individual is terminated, or if the Department of Labor finds that an insured compensationner is able to return to duty, his/her Basic life insurance held as an annuitant or compensationner stops on the date of the termination or finding. There is no 31-day extension of coverage or conversion right.

(e)(1) An annuitant or compensationner who is eligible to continue or have reinstated Basic insurance is also eligible to continue or have reinstated Optional insurance if he/she meets the same coverage requirements for Optional insurance as those stated in paragraph (a) or (b) of this section for Basic insurance.

(2) For the purpose of continuing insurance as an annuitant or compensationner, an employee is not considered to have been eligible for Option C during any period when the employee had no eligible family members.

§ 870.702 Amount of Basic insurance.

(a) The amount of Basic insurance an annuitant or compensationner can continue is the BIA on the date insurance would otherwise have stopped because of the individual's separation from service or completion of 12 months in nonpay status. The amount of Basic insurance in force is the BIA minus any reductions applicable under § 870.703(a).

(b)(1) For the purpose of paying benefits upon the death of an insured individual under age 45 who is retired or re-

ceiving compensation, the BIA will be multiplied by the appropriate age factor shown in § 870.202(c) of this part. Exceptions:

(i) If the insured individual retired or became insured as a compensationner before October 10, 1980, or

(ii) If the insured individual elected a partial Living Benefit as an employee under subpart K of this part.

(2)(i) For an annuitant or compensationner who elected a partial Living Benefit as an employee, the amount of Basic insurance he/she can continue is the post-election BIA, as shown in § 870.203(a)(2) of this part.

(ii) For the purpose of paying benefits upon the death of an insured annuitant or compensationner under age 45 who elected a partial Living Benefit as an employee, the BIA will be multiplied by the age factor in effect on the date OFEGLI received the completed Living Benefit application.

[64 FR 72463, Dec. 28, 1999]

§ 870.703 Election of Basic insurance.

(a) Unless he/she has elected a Living Benefit, an individual who makes an election under § 870.701(c) must select one of the following options:

(1) Termination of the insurance. The individual's insurance stops upon conversion to an individual policy as provided under § 870.603. If the individual doesn't convert to an individual policy, insurance stops at the end of the month in which OPM or the employing office receives the election;

(2) Continuation or reinstatement of Basic insurance with a maximum reduction of 75 percent during retirement. Premiums are withheld from annuity or compensation (except as provided under 870.401(d)(1)). The amount of Basic Life insurance in force reduces by 2 percent of the BIA each month until the maximum reduction is reached. This reduction starts at the beginning of the 2nd month after the date the insurance would otherwise have stopped or the date of the insured's 65th birthday, whichever is later;

(3) Continuation or reinstatement of Basic insurance with a maximum reduction of 50 percent during retirement. Premiums are withheld from annuity or compensation. The amount of

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Basic insurance in force reduces by 1 percent of the BIA each month until the maximum reduction is reached. This reduction starts at the beginning of the 2nd month after the date the insurance would otherwise have stopped or the date of the insured's 65th birthday, whichever is later; or

(4) Continuation or reinstatement of Basic insurance with no reduction after age 65. Premiums are withheld from annuity or compensation.

(b)(1) Unless an employee has elected a partial Living Benefit under subpart K of this part or an individual has assigned the insurance under subpart I of this part, an insured individual may cancel an election under paragraph (a)(3) or (a)(4) of this section at any time. The amount of Basic insurance automatically switches to the amount that would have been in force if the individual had originally elected the 75 percent reduction. This revised amount is effective at the end of the month in which OPM receives the request to cancel the previous election.

(2) If an individual files a waiver of insurance, the coverage stops without a 31-day extension of coverage or conversion right. This is effective at the end of the month in which OPM receives the waiver.

(c) Unless he/she chooses to terminate his/her insurance, an employee who has elected a partial Living Benefit must choose the no reduction election under paragraph (a)(4) of this section. He/she cannot later change to the 75 percent reduction.

(d) If an employee has assigned his/her insurance, he/she cannot cancel an election under paragraph (a)(3) or (a)(4) of this section. Only the assignee(s) may cancel this election. Exception: if the employee elected a partial Living Benefit before assigning the remainder of his/her insurance, the assignee(s) cannot cancel the election under paragraph (a)(4) of this section.

[62 FR 48731, Sept. 17, 1997. Redesignated at 64 FR 72463, Dec. 28, 1999]

§ 870.704 Amount of Option A.

(a) The amount of Option A coverage an annuitant or compensationner can continue is \$10,000.

(b) An annuitant's or compensationner's Option A coverage

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reduces by 2 percent of the original amount each month up to a maximum reduction of 75 percent. This reduction starts at the beginning of the 2nd month after the date the insurance would otherwise have stopped or the beginning of the 2nd month after the date of the insured's 65th birthday, whichever is later.

[64 FR 72463, Dec. 28, 1999]

§ 870.705 Amount and election of Option B and Option C.

(a) The number of multiples of Option B and Option C coverage an annuitant or compensationner can continue is the highest number of multiples in force during the applicable period of service required to continue Option B and Option C.

(b)(1)(i) At the time an employee retires or becomes insured as a compensationner, he/she must elect the number of allowable multiples he/she wishes to continue during retirement or while receiving compensation.

(ii) An employee who elects to continue fewer multiples than the number for which he/she is eligible is considered to have cancelled the multiples that are not continued.

(iii) Employees separating for retirement and employees becoming insured as compensationners on or after April 24, 1999, must also elect either Full Reduction or No Reduction for all of the multiples being continued.

(iv) An employee who does not make a reduction election is considered to have chosen Full Reduction.

(2)(i) Prior to reaching age 65, an annuitant or compensationner can change from No Reduction to Full Reduction at any time. Exception: If the individual has assigned his/her insurance as provided in subpart I of this part, only the assignee can change from No Reduction to Full Reduction for the Option B coverage.

(ii) Prior to reaching age 65, an annuitant or compensationner can change from Full Reduction to No Reduction at any time.

(3)(i) After reaching age 65, an annuitant or compensationner can change from No Reduction to Full Reduction at any time. Exception: If the individual has assigned his/her insurance as provided in subpart I of this part,