

Office of Personnel Management
Retirement and Insurance Service



1920



1954



1959



1986

Benefits Administration Letter

Number: 95-216

Date: May 4, 1995

**SUBJECT: Federal Employees' Group Life Insurance:
Living Benefits**

GENERAL INFORMATION

What Are Living Benefits?

Living Benefits, also known as accelerated benefits in the private sector, are life insurance benefits paid to an individual while he/she is still living, rather than paid to a beneficiary or survivor upon the insured individual's death. This benefit was added to the Federal Employees' Group Life Insurance (FEGLI) Program by Public Law 103-409, the FEGLI Living Benefits Act.

When Do Living Benefits Go into Effect?

Living Benefits under the FEGLI Program become effective on July 25, 1995.

How Is This Different from Assigning FEGLI Coverage to a Viatical Settlement Company?

Living Benefits payments come from the Life Insurance Fund (part of the U.S. Treasury). Viatical settlement companies are private sector businesses not connected with the Federal Government.

The amount of insurance available and the requirements for receiving a Living Benefits payment are set forth in Federal law. Viatical settlement companies set their own requirements and payment amounts.

SPECIFIC INFORMATION

Who Can Elect Living Benefits? Any employee, annuitant, or compensationeer covered under the FEGLI Program, who has been diagnosed as terminally ill with a life expectancy of nine months or less, may elect a Living Benefit.

How Much Insurance Can an Employee Elect? Only Basic insurance is available for Living Benefits. Optional insurance cannot be paid as a Living Benefit.

An employee may elect either a full Living Benefit, i.e., all of his/her Basic benefits, or a partial Living Benefit (expressed as a multiple of \$1,000). (Annuitants and compensationers can elect only a full Living Benefit.)

How Many Times Can an Employee Elect Living Benefits? An employee can elect Living Benefits only once.

If an employee elects a full Living Benefit, he/she has no more Basic insurance. A subsequent increase in salary does not give the employee entitlement to additional Basic insurance.

If an employee elects a partial Living Benefit, he/she cannot later elect another Living Benefit from the remaining Basic insurance. In addition, the amount of the remaining Basic insurance will not change, even if there is a subsequent change in salary.

Also, a Living Benefit payment cannot be retracted. If the certifying doctor's medical prognosis is wrong, and the employee lives longer than the expected nine months, the employee would not have to repay the Living Benefit.

PROCEDURES

How Does an 1) An employee who wishes to apply for

**Employee Apply
for Living
Benefits?**

Living Benefits must contact the Office of Federal Employees' Group Life Insurance (OFEGLI) at 1-800-633-4542; OFEGLI will begin accepting calls after July 10, 1995. OFEGLI will send the individual an application form (FE-8, Claim for Living Benefits).

Please note that agencies will not be sent a supply of FE-8 forms and will not be able to give them to employees.

2) OFEGLI will also send a calculation sheet, so employees will be able to determine the amount of Basic insurance available to them. This will take into account the age multiplication factor for employees under age 45. (It will also take into account the post-65 reduction for annuitants age 65 and over.) The benefits available will be reduced by an amount representing interest lost to the Life Insurance Fund because of the early payment of benefits.

3) The employee completes Part A of the form, and his/her doctor completes Part B. The employee then sends the form back to OFEGLI.

4a) If OFEGLI approves the Living Benefit, OFEGLI will send the employee a check, along with an Explanation of Benefits (EOB). When the employee cashes or deposits the check, the Living Benefits election is complete. OFEGLI will then send an EOB to both the agency personnel office and the agency payroll office.

4b) If OFEGLI does not approve the Living Benefit, OFEGLI will notify both the individual and the employing office. There are no appeal rights; however, the individual may furnish additional medical evidence to support the claim or may reapply if future circumstances warrant.

**What Does the
Agency Have**

When OFEGLI receives an employee's application for Living Benefits, it will send

to Do?

or fax the agency an FE-8A, Agency Certification for FEGLI Living Benefits. The agency must certify whether the employee is enrolled in Basic insurance, whether the employee has assigned his/her insurance, and the amount of the employee's current annual basic pay.

The FE-8A must have dual certification, i.e., it must be certified by both a personnel official and a payroll official. Make sure that the addresses of the personnel and payroll offices are complete, since OFEGLI will use these addresses to send the agency a copy of the EOB.

It is critical that this certification be completed and returned to OFEGLI promptly. You should fax the completed certification to OFEGLI on 212-578-4491, and then mail the original to OFEGLI.

**Post-election
BIA**

If an employee elects a partial Living Benefit, OFEGLI will notify the agency of the amount of the employee's remaining Basic Insurance Amount (BIA) on the EOB. This post-election BIA never changes, even if the employee's salary changes. (Please note that this is different from and supersedes the information on page 5 of the attachment sent with BAL 95-212.) The age factor used in computing benefits payable upon the death of an employee with a post-election BIA also will not change.

The post-election BIA also does not change if the employee subsequently retires and is eligible to continue insurance as an annuitant. He/she will not have a choice of post-65 reductions. Unless he/she elects to terminate coverage, the full post-election BIA will remain in effect, and withholdings will be at the no-reduction level. He/she will not be eligible to change the no-reduction to a 75% reduction at a later date.

An employee who elects a partial Living

Benefit retains Accidental Death and Dismemberment (AD&D) benefits on Basic insurance in the same amount as the post-election BIA.

(An employee who elects a full Living Benefit loses AD&D on Basic insurance, since there is no Basic insurance left.)

**Changes in
Withholdings and
Contributions**

If an employee elects a full Living Benefit, withholdings and contributions for Basic insurance stop. If an employee elects a partial Living Benefit, withholdings and

contributions for Basic insurance are based on the post-election BIA.

Changes in withholdings and contributions are effective at the end of the pay period in which the Living Benefit election is effective, i.e., the end of the pay period in which the payment is cashed or deposited. (OFGLI will notify you of the date the payment is cashed or deposited.)

**What Goes on
the SF 50?**

When the agency receives notification of a Living Benefits election - i.e., the EOB - the personnel office must produce an SF 50. There will be no changes to the codes used in box 27 on this form. The code for FEGLI will remain the same as it was before the Living Benefits election.

In the "Remarks" section, you should state:

Elected full Living Benefits on _____.
Basic coverage now equals zero.
Not eligible to assign insurance.

or

Elected partial Living Benefits on _____.
Post-election BIA is _____.
Must elect "No reduction" at retirement.
Not eligible to assign insurance.

In addition, you should state in the "Remarks" section what Optional insurance (if any) the employee has, including the number of multiples of Option B, if applicable.

MISCELLANEOUS

**Optional
Insurance**

A Living Benefit election has no effect on an individual's Optional insurance. All Optional insurance will remain in place, and withholdings for Optional insurance will continue unchanged.

**Designations
of Beneficiary**

A Living Benefit election has no effect on an individual's designation of beneficiary. Option A benefits, Option B benefits, and any remaining Basic benefit for employees who have elected a partial Living Benefit will be paid to an individual's designated beneficiary or, in the absence of a designation, according to the statutory order of precedence.

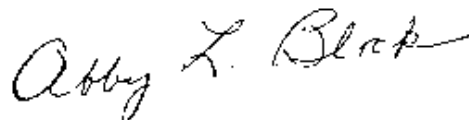
If, however, an individual who has specifically designated Basic insurance to a beneficiary elects a full Living Benefit, that beneficiary will not receive any money as a Basic benefit upon the individual's death. If this individual elects a partial Living Benefit, the beneficiary will receive only the remaining Basic benefit. We therefore recommend that an insured individual electing a Living Benefit review his/her designation of beneficiary.

Assignment

If an individual has assigned his/her insurance, he/she cannot elect a Living Benefit; nor can the assignee elect a Living Benefit. Likewise, if an individual elects a Living Benefit, he/she cannot subsequently assign any remaining insurance (Basic or Optional).

**Notification
to Employees**

Attached is a sample announcement notifying employees of Living Benefits. This or a similar announcement must be given to all employees, including those on leave without pay, before May 22, 1995, the start of the limited FEGLI open season.



Abby L. Block, Chief
Insurance Policy
and Information Division

Attachment

SAMPLE ANNOUNCEMENT

SUBJECT: Federal Employees' Group Life Insurance: Living Benefits

Effective July 25, 1995, a new benefit, Living Benefits, is available to eligible enrollees in the Federal Employees' Group Life Insurance (FEGLI) Program.

What are Living Benefits?

Living Benefits, also known as accelerated benefits in the private sector, are life insurance benefits paid to you while you are still living, rather than paid to your beneficiary or survivor after you die.

Who is eligible to get Living Benefits?

Any Federal employee, annuitant, or compensationner covered under the FEGLI Program, who has been diagnosed as terminally ill with a life expectancy of nine months or less, may elect a Living Benefit.

How much can a person elect?

Only Basic insurance is available for Living Benefits. Optional insurance cannot be paid as a Living Benefit.

An employee may elect either a full Living Benefit, i.e., all of his/her Basic benefit, or a partial Living Benefit (expressed as a multiple of \$1,000).

Annuitants and compensationners can elect only a full Living Benefit.

How many times can I elect a Living Benefit?

You may elect a Living Benefit only once.

If you elect a full Living Benefit, you won't have any Basic benefits left. Even if your salary increases, you won't get any more Basic benefits.

If you elect a partial Living Benefit (available only to employees), you can't later elect any of the remaining Basic benefit as a Living Benefit. In addition, the amount of the remaining Basic insurance will not be affected by changes in either your salary or your age. The remaining Basic insurance

will be paid to your beneficiary(ies) or survivor(s) under the order of precedence after you die.

If I elect a Living Benefit, what happens to my Optional insurance and my designation of beneficiary?

A Living Benefit election has no effect on your Optional insurance (if any) or on your designation of beneficiary (if any).

If you have Option A and/or Option B and/or Option C benefits, they will remain in effect, and withholdings will continue unchanged. When you die, your Option A and/or Option B benefits (if any) - and any remaining Basic benefits, if you elected a partial Living Benefit - will be paid to your beneficiary. If you haven't designated a beneficiary, they will be paid to your survivors according to the order of precedence stated in the FEGLI law.

If you have specifically designated Basic insurance to a beneficiary and you elect a full Living Benefit, that beneficiary will not receive any money as a Basic benefit after you die. If you have specifically designated Basic insurance to a beneficiary and you elect a partial Living Benefit (available only to employees), that beneficiary will receive only the remaining (not a full) Basic benefit upon your death. Therefore, you may wish to review your designation if you elect a Living Benefit.

What if I've assigned my life insurance?

If you've assigned your insurance, neither you nor the assignee(s) may elect a Living Benefit. And if you elect a Living Benefit (whether full or partial), you can't later assign any remaining insurance (either Basic or Optional).

How do I apply for Living Benefits?

To apply for a Living Benefit, you must contact the Office of Federal Employees' Group Life Insurance (OFEGLI) at 1-800-633-4542 after July 10, 1995. OFEGLI will send you an application form (FE-8, Claim for Living Benefits). Your personnel office will not have a supply of these forms. You can get the application only from OFEGLI.

When OFEGLI sends you the FE-8, it also will send you a calculation sheet, so you will be able to determine the amount of Basic insurance available to you. This will take into account your salary and your age, if you are under age 45. (For annuitants it will also take into account any reductions taken after age 65.) The amount you elect as a Living Benefit will be reduced by an amount representing interest lost to the Life

Insurance Fund because of the early payment of benefits. Depending on the tax laws in effect at the time a Living Benefit is elected, Federal income tax may also be withheld from the payment. You will be able to waive tax withholding, if you wish.

You must complete Part A of the election form, and your doctor must complete Part B. Then you send the form back to OFEGLI. If OFEGLI needs additional information, it will contact you or your doctor. (Please note that if you receive and complete the election form before July 25, 1995, neither you nor your doctor may sign the form or return it to OFEGLI before July 25, 1995. If you do, the election form will be invalid.)

If OFEGLI approves the Living Benefit, OFEGLI will send you a check, along with an Explanation of Benefits (EOB). When you cash or deposit the check, the Living Benefits election is complete. You cannot then change your mind about the election.

Does my agency have to do anything?

OFEGLI will contact your agency to request verification of your coverage and certification of your salary. When your election is complete, i.e., when you have cashed or deposited the check, OFEGLI will send your personnel and payroll offices a copy of the EOB to notify them of your election. If you elect a partial Living Benefit, OFEGLI will notify your agency of the Basic Insurance Amount you have left.

What will happen to the withholdings from my pay check?

If you elect a full Living Benefit, withholdings for Basic insurance will stop. If you elect a partial Living Benefit, withholdings for Basic insurance will be reduced, depending on how much Basic insurance you have left.

What if my application is turned down?

If OFEGLI does not approve your claim for a Living Benefit, it will notify both you and your agency. There are no appeal rights; however, you may furnish additional medical evidence to support your claim or reapply if future circumstances warrant.

Are there any restrictions on how I can use the Living Benefits payment?

No. You may use the Living Benefits payment any way you wish.

I know my condition is terminal, but I'm not sure I only have

nine months to live. Can I still elect a Living Benefit?

By law, in order to receive a Living Benefit, you must have a medical prognosis that your life expectancy is nine months or less. Your doctor must certify this on the FE-8 election form. You may wish to consult your doctor to determine whether he/she will certify that your life expectancy is nine months or less.

What if my doctor is wrong, and I live longer than the expected nine months? Do I have to pay back the Living Benefit?

No. A Living Benefit payment can't be retracted. You will never have to repay that amount, even if your medical prognosis changes.

I think I'm eligible to elect Living Benefits, but I'm not enrolled in the FEGLI Program. Are the Benefits still available to me?

You must be enrolled in at least the Basic insurance under the FEGLI Program in order to elect Living Benefits. You may enroll in Basic insurance (but not any Optional insurance) during the May 22, 1995, through July 21, 1995, FEGLI open season. Your coverage will become effective on the first day of the first pay period starting after your employing office receives your SF 2817 (Life Insurance Election). Then you may follow the procedures described in this announcement to elect Living Benefits.