United States
Office of Personnel Management
Retirement and Insurance Service

Benefits Administration Letter

Number: 98-208 Date: November 9,1998

Subject: **Federal Employees' Group Life Insurance: New FEGLI Legislation**

Purpose

The purpose of this letter is to inform you of changes in the Federal Employees' Group Life Insurance (FEGLI) Program. These changes are the result of legislation (Pub. L. 105-311 - Federal Employees Life Insurance Improvement Act) enacted on October 30, 1998.

Background

Congress, the Administration, and Federal employees have all expressed interest in expanding the options available under the FEGLI Program to offer a greater choice of coverage and to provide ways to continue coverage that would otherwise terminate.

What the New Law Does

The new law makes a number of changes to the existing FEGLI Program insurance options by: 1) eliminating the maximums on Basic and Option B; 2) allowing for the election of unreduced Option B at retirement; 3) allowing for the portability of Option B upon separation or when coverage while in nonpay status runs out; 4) increasing available Option C coverage to up to 5 times the current amounts for spouse and dependent children; 5) allowing for the election of unreduced Option C at retirement; 6) covering foster children under Option C; 7) providing a remedy for the erroneous enrollment of an employee, annuitant, or compensationer in the FEGLI Program; 8) providing for direct payment of premiums for employees, annuitants, and compensationers whose pay is insufficient to cover withholdings for life insurance; 9) providing for an open season; and 10) directing OPM to study other life insurance alternatives for Federal employees and to report its findings to Congress.

SPECIFIC INFORMATION

Elimination of maximums on Basic and Option B

Until now an employee's Basic Insurance Amount (BIA) could not exceed the annual rate of basic pay payable for positions at level II or the Executive Schedule, rounded to the next higher multiple of $1,000, plus $2,000; the maximum for 1998 has been $139,000. Each multiple of Option B was also capped, based on the salary at level II of the Executive Schedule; the maximum for 1998 has been $134,000. The new law eliminates these maximums.

Since the maximum has been eliminated for Basic insurance, there is no longer a need to increase the amount of Option A for these employees. Therefore, Option A will be $10,000 for all employees.

Effective Date: The effective date is the first pay period beginning on or after October 30, 1998.

Election of unreduced Option B at retirement

This provision allows retiring employees or compensationers to elect to continue Option B coverage on an unreduced basis by continuing to pay premiums after age 65. Annuitants and compensationers who elect unreduced Option B may later cancel that election and have the full reduction.

Annuitants and compensationers who have Option B coverage on a reduction schedule on the effective date will be offered the opportunity to elect an unreduced schedule on a prospective basis.

Effective Date: We intend to put this provision into effect as soon as possible. We will notify you when the effective date has been set.

Portable Option B upon separation or end of continued coverage while in nonpay status

The new law provides that following separation from employment or following a period of 12 months in nonpay status, employees who meet the 5-year/first opportunity requirement may elect to continue their Option B coverage by making direct premium payments. Coverage during the first 12 months in nonpay status continues to be at no charge.

Coverage reduces to 50% after the date the insured reaches age 70 and will stop at the beginning of the second calendar month after he/she reaches age 80, subject to a provision for temporary extension of life insurance coverage and for conversion to an individual life insurance policy under conditions described by OPM.

The portability provision election for separating employees and employees after 12 months in nonpay status is effective for a three-year demonstration period.

Effective Date: We intend to put this provision into effect as soon as possible. We will notify you when the effective date has been set.

Increased Option C

Currently, Option C coverage provides for $5,000 life insurance for the spouse and $2,500 for each eligible child. The new law allows employees to elect coverage in multiples up to 5 times the current amount.

Effective Date: We intend to put this provision into effect as soon as possible. We will notify you when the effective date has been set.

Election of unreduced Option C at retirement

Retiring employees may choose to elect unreduced Option C coverage by continuing to pay premiums after age 65. Annuitants and compensationers who elect unreduced Option C may later cancel that election and have the full reduction.

***Effective Date*:** We intend to put this provision into effect as soon as possible. We will notify you when the effective date has been set.

Coverage of foster children under Option C

The addition of foster child coverage under Option C mirrors coverage under the Federal Employees Health Benefits Program and requires that dependency of the foster child be established before they are approved for coverage under this Option. Implementing regulations will be published.

Effective Date: October 30, 1998. Until a Hotline number is established, agencies seeking guidance on this issue should call OPM's Insurance Policy and Information Division at (202) 606-0191.

Direct Payment of Premiums

This provision allows an employee, annuitant or compensationer whose pay is subject to withholdings for life insurance premiums, but whose pay is insufficient to cover such withholdings, to arrange to make payment directly either through the retirement system or employing office that administers the pay.

NOTE: **This does not apply to employees who are in nonpay status.** Life insurance continues to be free during the first 12 months in nonpay status, and it still terminates after 12 months in nonpay status. This new provision applies to employees, annuitants, and compensationers whose "pay" - after all other applicable deductions - isn't enough to cover the FEGLI withholdings on an ongoing basis. Currently, employees, compensationers, and CSRS annuitants in this situation have their life insurance terminated; FERS annuitants are already allowed to make direct payments. This legislation extends the direct pay option to other categories of insured individuals.

Effective Date: The first pay period beginning on or after October 30, 1998.

Incontestability

The contractual provision regarding incontestability (see BAL 95-203) has been added to the law. This provision now also applies to annuitants and compensationers who were erroneously allowed to continue their life insurance.

Effective Date: Any findings made on or after October 30, 1998.

Open Season

There will be an open season from April 1, 1999, through

May 31, 1999.

Effective Date: Open Season elections will become effective the first period beginning on or after April 1, 2000, which follows a pay period in which the employee was in a pay and duty status.

OPM study of alternative life insurance products

OPM will conduct a study of alternative life insurance products for Federal employees and the level of interest in these products. The products are group universal life insurance, group variable universal life insurance, and additional voluntary accidental death and dismemberment insurance. OPM will report its findings to Congress.

What Do Agencies Have to Do?

Agencies need to share the above changes with their payroll offices and information technology offices so that modifications can be made immediately to systems to accommodate the changes. System changes will be required to 1) eliminate the maximums on Basic and Option B; 2) adjust Option A to $10,000 in instances where an employee had a higher amount because of the maximum limitation on Basic insurance; 3) modify Option C coverage to add multiples, at the employee's election, of 1, 2, 3, 4 or 5 times the amount for spouse ($5,000) and dependent children ($2,500).

For employees eligible to make direct payment of life insurance premiums, there will need to be a system for accepting payment.

OPM will be revising most of the FEGLI forms and will be making necessary coding changes for SF 50 purposes.

Agencies should periodically check the FEGLI web site (www.opm.gov/insure/life) for updated information on this legislation.

Additional Information

This letter contains general information concerning changes made by the new legislation. We will issue detailed information concerning these changes, as well as information on revised forms, changes in coding, and the upcoming Open Season, as soon as it is available.

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and Information Division