

# ASSIGNMENT

## Definition

- , Voluntary and Irrevocable
- , Types of Insurance that Can Be Assigned
- , Living Benefits
- , Reasons for Making an Assignment
- , Tax Implications
- , Tax Treatment of Viatical Settlement Payments

## Rights After Assignment

- , Your Rights as the Insured
- , Rights of the Assignee
- , Current Address

## Making an Assignment

- , Assignment Form
- , Multiple Assignees
- , Unacceptable Assignments
- , Withholdings and Contributions after an Assignment

## Designations of Beneficiary

- , Your Designation
- , Assignee's Designation
- , Ownership after Death of Assignee

## Payment of Benefits

- , Who Receives the Insurance Proceeds?

## Employing Office Responsibilities

- , General
- , Prohibited Actions
- , Information for Viatical Settlement Firms
- , Notification to Assignee
- , -Sample Notice
- , When You Die
- , When You Separate

## Annuitants and Compensationers

- , Assignment Remains in Effect
- , Conversion vs Continuation
- , Assignments by Annuitants and Compensationers

## **Termination and Conversion**

- , **Termination**
  - , **Conversion**
- 

### **Definition**

Assignment is the transfer of ownership of life insurance to another individual, corporation, or trustee. You are still the insured person, but you no longer own the insurance.

The law allowing all employees, annuitants and compensationers to assign their insurance was effective October 3, 1994; before that, only certain Federal judges were permitted to assign their insurance.

### **Voluntary and Irrevocable**

Assignment is voluntary. You can't be forced to make an assignment.

An assignment can't be revoked. Once an assignment is made, you can't change it at a later date.

### **Types of Insurance that Can Be Assigned**

When you make an assignment, you assign Basic insurance, and Option A and Option B insurance, if you have them. You can't assign dismemberment insurance or Option C.

You can't make a partial assignment or assign only one type of insurance.

### **Living Benefits**

If you elect a partial Living Benefit, you may later assign all remaining insurance (Basic and/or Optional). If you elect a full Living Benefit, you can later assign Optional insurance.

You can't elect Living Benefits if you have already assigned your insurance.

### **Reasons for Making an Assignment**

Following are the most common reasons why people make assignments:

### ***To comply with a court order***

You may assign insurance to comply with an order issued by a divorce court requiring that a former spouse and/or children from a previous marriage be named as the beneficiary of FEGLI proceeds.

If a court order requires you to make an assignment, you must still complete an assignment form for the assignment to take place.

### ***For inheritance tax purposes***

Provisions of Federal and/or State laws may give certain advantages when insurance has been assigned. When you die, the Internal Revenue Service (IRS) determines whether FEGLI proceeds are included in your gross estate. If you wish to make an assignment for tax advantages, you should consult with a competent estate tax advisor. See "Tax Implications."

### ***To obtain cash before death***

You can assign your insurance to a viatical settlement company instead of taking a Living Benefit. Assignment of Basic, Option A, and Option B can be made to a viatical settlement company in exchange for cash paid to you before your death. A Living Benefit only allows Basic insurance to be paid before your death. Also, a Living Benefit is available only if you have a prognosis of nine months to live. With assignment, a viatical settlement company may make benefits available earlier.

### ***To pay off debts***

You may assign your insurance to pay off a debt; however, you cannot cancel the assignment once the debt is paid.

### **Tax Implications**

You should consult a tax attorney and consider getting a ruling from the Internal Revenue Service (IRS) before you assign your life insurance.

This is especially important if you want to make an assignment to a trust or want to avoid inheriting the FEGLI coverage upon the death of your assignee.

A tax attorney has specific information about tax laws and IRS regulations and can make a determination about the tax effect of an assignment.

### **Tax Treatment of Viatical Settlement Payments**

Qualified payments from viatical settlement companies received on or after January 1, 1997, are not subject to Federal income tax (Pub. L. 104-191, the Health Insurance Portability and Accountability Act of 1996, Subtitle D, Treatment of Accelerated Death Benefits). Payments received from a viatical settlement company before that date were subject to Federal income tax.

This law sets qualification standards for viatical settlement providers, terminally ill insured persons, chronically ill insured persons, and in the case of chronically ill insured persons, how the payment may be spent. If you are considering assigning your insurance to a viatical settlement company, you should consult a tax advisor to determine if you and the viatical settlement company meet the qualification standards. Under this law, to be considered terminally ill, a person's life expectancy can be no more than 24 months.

This law amends the Federal Internal Revenue Code, which directly affects Federal income taxes, not State taxes. However, many States have laws, regulations, or rulings concerning the taxability of payments received from viatical settlement companies. You should consult a tax advisor or your State's tax department for specific information concerning State income tax laws.

## **RIGHTS AFTER ASSIGNMENT**

### **Your Rights as the Insured**

After making an assignment, you *still have the right to*:

- ! Continue Option C coverage, if you have it
- ! Elect more insurance (during an open enrollment period, by furnishing proof of insurability, or with a life event) *Note: All of the new insurance - except Option C - comes under the existing assignment*
- ! Elect a post-65 reduction at retirement for Basic insurance (however, if you elect other than 75% Reduction, you cannot later change to 75% Reduction)
- ! Elect a post-65 reduction at retirement for Options B and C (however, if you elect No Reduction for Option B, you cannot later change to Full Reduction)

After making an assignment, you *cannot*:

- ! Revoke that assignment
- ! Cancel or reduce insurance
- ! Designate a beneficiary
- ! Convert to a private policy when FEGLI terminates
- ! Elect a Living Benefit
- ! Change your post-65 reduction election for Basic insurance
- ! Make another assignment (unless your insurance has been reassigned back to you)
- ! Change your post-65 reduction election for Option B from No Reduction to Full Reduction
- ! Port Option B, if eligible

## **Rights of the Assignee**

After you assign your insurance, the assignee *has the right to*:

- ! Cancel or reduce insurance
- ! Change a post-65 reduction election for Basic insurance to 75% Reduction (unless you had previously elected a partial Living Benefit)
- ! Designate and change beneficiaries
- ! Convert to a private policy when FEGLI terminates
- ! Reassign the insurance
- ! Change your post-65 reduction election for Option B from No Reduction to Full Reduction
- ! Port Option B, if eligible

An assignee *cannot*:

- ! Increase the amount of insurance
- ! Elect a Living Benefit
- ! Make the original post-65 reduction elections
- ! Take any action regarding your Option C coverage, if you have it
- ! Change your post-65 reduction election for Option B from Full Reduction to No Reduction

## **Current Address**

Each assignee is responsible for keeping your employing office aware of his/her current address. Employing offices must attach an assignee's change of address notice to the assignment form in your Official Personnel Folder.

## **MAKING AN ASSIGNMENT**

### **Assignment Form**

You make an assignment by completing the Assignment of Federal Employees' Group Life Insurance form (RI 76-10). The RI 76-10 must be signed by two witnesses. An assignee *cannot* be a witness to the assignment.

An assignment is effective on the date your employing office receives the properly completed, signed, and witnessed form.

### **Multiple Assignees**

An assignment can be made to more than one individual, corporation, or trustee.

The assignment must specify percentages or fractions of the insurance to go to each assignee. The percentages must total 100% (or 1, for fractions). You cannot name conditional assignees in the event the primary assignee(s) predeceases you.

All assignees must agree to any cancellation action.

## **Unacceptable Assignments**

Your employing office will not accept an Assignment of Federal Employees' Group Life Insurance form (RI 76-10) if it is not completed properly. These are some of the things that will cause an assignment to be invalid:

- ! You have already assigned your insurance and you have not reaquired ownership of your insurance through an assignment made to you.
- ! You have elected a full Living Benefit and have no optional coverage.
- ! You have named more than one assignee, but they are connected by the word "or."
- ! Your name, as shown in the body of the assignment, is significantly different from your signature. The difference is not significant if initials of first and middle names are used in one place and full names in the other place.
- ! Your date of birth is not shown or is obviously wrong.
- ! Shares of assignees are not stated correctly (e.g., the shares total less than or more than 100% or they are given in dollar amounts, rather than percentages or fractions).
- ! You did not sign the assignment form. (A guardian or someone with power of attorney cannot make an assignment.)
- ! The assignment is signed by only one witness or an assignee is a witness.
- ! The employing office doesn't receive the Assignment of Federal Employees Group Life Insurance form (RI 76-10) until after you die.

Any erasures or corrections made on the assignment form may have the effect of invalidating the assignment.

If your assignment is unacceptable, your employing office will write "VOID" across the front of the form, and return it to you with an explanation of why it is unacceptable. Your employing offices's failure to return an incorrect RI 76-10, Assignment of Federal Employees Group Life Insurance form, does *not* make your assignment valid.

## **Withholdings and Contributions after an Assignment**

After making an assignment, you continue to pay the premiums. Your employing office must continue to withhold the premiums from your salary and must continue to make the Government contribution. The assignee may not pay the premiums.

## **DESIGNATIONS OF BENEFICIARY**

### **Your Designation**

An assignment automatically cancels your prior Designation of Beneficiary. (However, the agency must continue to retain the cancelled Designation(s) in your Official Personnel Folder in case the assignment is later found to be invalid.)

Once an assignment is effective, you no longer have the right to designate a beneficiary.

### **Assignee's Designation**

Assignees should designate beneficiaries. An assignee's beneficiary will receive the designated amount of assigned insurance upon your death.

An assignee can designate him/herself as the primary beneficiary and name some other person(s) as contingent beneficiary(ies) in case he/she dies before you. By naming a contingent beneficiary, your assignee can simplify life insurance payment. See "Who Receives the Insurance Proceeds?."

Your assignee is the beneficiary if he/she doesn't designate a different beneficiary.

### **Ownership after Death of Assignee**

If an assignee dies before you, ownership of the insurance is inherited by that assignee's heir(s) according to the laws of the state in which your assignee lived when he/she died. The new owner of the insurance has all of the rights the assignee had before his/her death, and should designate beneficiaries to receive the assigned insurance proceeds upon your death.

### **PAYMENT OF BENEFITS**

#### **Who Receives the Insurance Proceeds?**

When you die, benefits are paid to your assignee's beneficiary. If your assignee doesn't designate a beneficiary, benefits are paid to your assignee.

If your assignee dies before you and:

- ! he/she did not designate a beneficiary; and/or
- ! your assignee's heir (now owner of your insurance) did not designate a beneficiary; or
- ! his/her designated beneficiary dies before you;

upon your death benefits will be paid to your assignee's heirs according to the laws of the state in which your assignee lived when he/she died.

#### ***Example***

*Karen, the insured, assigned her FEGLI benefits to Mary Ann. Mary Ann named Barbara the beneficiary of Karen's insurance. Mary Ann, then Barbara, predecease Karen. When Karen dies, benefits will be paid to whomever inherited Mary Ann's ownership of Karen's insurance (or to the inheritor's beneficiary(ies)).*

### **EMPLOYING OFFICE RESPONSIBILITIES**

#### **General**

It is your employing office's responsibility to advise you of your right to make an irrevocable assignment and the permanence of the assignment.

## **Prohibited Actions**

If you assign your insurance, you cannot make another assignment (unless your assignee reassigned your insurance back to you), designate a beneficiary, elect a Living Benefit, or cancel or reduce insurance. Therefore, whenever you want to take any of these actions, your employing office must verify whether you are eligible to do so by determining whether you have a valid assignment on file.

If you are hired after a break in Federal service of less than 31 days, your employing office must check your Official Personnel Folder to determine whether there is a valid assignment on file. Your assignment remains valid unless your break in service is 31 days or more. See “Termination.”

## **Information for Viatical Settlement Firms**

When you want to assign your insurance to a viatical settlement firm, the firm will ask your employing office to provide information about your FEGLI coverage.

Your employing office must have a release signed by you before providing the information; the viatical settlement firm will give you the necessary release form. Your employing office will file copies of the release and the information disclosed to the viatical settlement company in your Official Personnel Folder.

Some of the items that may be requested by a viatical settlement firm are:

- !** *Group Policy Number* - This number is 17000-G, with the Metropolitan Life Insurance Company.
- !** *Certificate Number* - There is no certificate number for FEGLI. Your employing office can provide your Social Security number, if this is an item on the signed release form.
- !** *Copy of the Group Certificate* - Your certificate of insurance is a copy of your most recent Life Insurance Election form (SF 2817), along with a copy of the FEGLI Booklet (RI 76-21).
- !** *Total Death Benefit* - This is the amount of your Basic insurance, plus any Optional insurance. If you are under age 45, this would also include information about the age multiplication factor.
- !** *Waiting Period before the Employee Can Make an Assignment* - There is no waiting period.
- !** *Monthly Premium*
- !** *Whether the Policy Has Accelerated Benefits* - Yes, but only Basic insurance can be accelerated (i.e., only Basic insurance can be taken as a Living Benefit).
- !** *Whether Partial Acceleration Is Permitted* - Yes (i.e., employees, but not retirees, can elect a partial Living Benefit).
- !** *Whether the Viatical Settlement Firm Can Pay the Premiums* - No. Premiums must continue to be withheld from your salary. (You can negotiate privately to have the viatical settlement firm reimburse you.)
- !** *Whether There Are Any Assignments Against the Policy* - The employing office must check to see whether you have already assigned your insurance and whether that assignment is still valid.



- ! *Whether the Policy Has a Disability Waiver* - There is no disability waiver under FEGLI.
- ! *Whether the Policy Can Be Converted* - The group insurance can be converted if it terminates, other than by voluntary cancellation. If the insurance has been assigned, only the assignee(s) can convert it.
- ! *Whether the Employee Must Have a Minimum Amount of Insurance to be Eligible to Make an Assignment* - No.
- ! *Whether an Irrevocable Beneficiary Can Be Designated* - No. Designations can be changed at any time. Only an assignment is irrevocable.

### **Notification to Assignee**

When you make an assignment, your employing office will notify each assignee that you have assigned ownership of your life insurance to the assignee. The notice will include the types of insurance you assigned and will give the percentage of the total insurance that the assignee now owns. The notice will also inform the assignee of his/her responsibility for notifying the employing office of any change of address.

Your employing office must also provide each assignee a copy of the FEGLI Booklet (RI 76-21), a copy of the Assignment of Federal Employees' Group Life Insurance form (RI 76-10), and a blank Designation of Beneficiary form (SF 2823).

### ***Sample Notice***

This is a sample notice that your employing office can use:

Dear \_\_\_\_\_:

This is to notify you that \_\_\_\_\_ has assigned \_\_\_\_\_% ownership of his/her coverage in the Federal Employees' Group Life Insurance (FEGLI) Program to you. \_\_\_\_\_ has Basic insurance (as applicable: plus Option A-Standard and Option B-Additional at \_\_\_\_\_ times his/her annual pay). The enclosed booklet explains the features of the different types of insurance.

You are the beneficiary of the life insurance coverage, and you will be entitled to the benefit upon \_\_\_\_\_'s death. However, we urge you to designate a contingent beneficiary to receive the benefits in the event that you die before \_\_\_\_\_. To do this, complete the attached Designation of Beneficiary form and return it to \_\_\_\_\_. To designate a contingent beneficiary, name yourself as primary beneficiary and another person to receive benefits in case you die before the insured person. See example 3 on the Designation of Beneficiary form.

It is important that you tell us when your address changes, so that we can notify you if events occur that affect the life insurance coverage that has been assigned to you. When you write to tell us about a change of address, be sure to include the name and Social Security number of the insured employee. Whenever your named beneficiary's address changes, please submit a new Designation of Beneficiary form showing the updated address.

Sincerely,

Employing Office Official

### **When You Die**

When you die, your employing office will send a Claim for Death Benefits (FE- 6) to each assignee at the last known address. If an assignee has designated a beneficiary, the FE-6 will be sent to the assignee's beneficiary(ies).

### **When You Separate**

When you separate from service (when the Nature of Action Code for SF 50 begins with a 3), your employing office will include on your separation SF 50 Remark B69: "Employee has assigned ownership of life insurance coverage."

## **ANNUITANTS AND COMPENSATIONERS**

### **Assignment Remains in Effect**

When you retire or become covered as a compensationner and you are eligible to continue FEGLI coverage, your assignment remains in effect, unless your assignee(s) choose(s) to convert your insurance to a private policy.

Your employing office will transfer the assignment form to OPM with the rest of the FEGLI documents. (See "Procedures for Retiring Employees" and "Procedures for Compensationers".)

### **Conversion vs Continuation**

When you have assigned your insurance and you retire or become insured as a compensationner, your employing office will send a Notice of Conversion Privilege (SF 2819) to each assignee. Your employing office must also send each assignee a copy of the Agency Certification of Insurance Status (SF 2821) and a copy of the Assignment of Federal Employees' Group Life Insurance form (RI 76-10) by which you made the assignment.

When there are multiple assignees, some may choose to let their share of the FEGLI coverage continue and some may choose to convert their share to a private policy. The amount of insurance continued or converted depends on the assignee's share of the total; if the amount is not a multiple of \$1,000, it is rounded up to the next thousand dollar amount.

### ***Example***

*John has Basic and Option A and assigns his insurance to 3 assignees as follows: Tom gets 50%, Dick gets 30%, and Harry gets 20%. At the time he retires, his Basic Insurance Amount is \$60,000.*

*Tom wants to let his share of the insurance continue into retirement; Dick and Harry want to convert their shares.*

*John will carry \$30,000 of Basic insurance and \$5,000 of Option A into retirement (Tom's share [ $\$60,000 \times 50\%$  and  $\$10,000 \times 50\%$ ]). Withholdings from his annuity will be based on these*

*amounts.*

*Dick can convert up to \$18,000 of Basic insurance and up to \$3,000 of Option A (\$60,000 x 30% and \$10,000 x 30%). Harry can convert up to \$12,000 of Basic insurance and \$2,000 of Option A (\$60,000 x 20% and \$10,000 x 20%).*

If your assignee(s) choose(s) to continue FEGLI coverage, rather than convert, *you* must make a post-65 reduction election on the Continuation of Life Insurance Coverage form (SF 2818). If you choose other than 75% Reduction, the assignee(s) can change to 75% Reduction (unless you previously elected partial Living Benefits). You must also make a post-65 reduction election for Option B, if you have it. If you choose No Reduction, the assignee(s) can change to Full Reduction.

### **Assignments by Annuitants and Compensationers**

Annuitants and compensationers can assign their insurance in the same manner as employees.

If you are an annuitant and wish to make an assignment, you must contact OPM at Retirement Operations Center, P.O. Box 45, Boyers, PA 16017-0045.

If you are a compensationer still insured as an employee and wish to make an assignment, you must contact your employing office. If you are insured as a compensationer (you have separated or completed 12 months' nonpay status ), you must contact OPM at the above address.

## **TERMINATION AND CONVERSION**

### **Termination**

Your assignment terminates 31 days after your FEGLI coverage terminates, unless you are reemployed during the 31-day period in a position in which you are eligible for life insurance or you port your Option B coverage.

Once terminated, an assignment is *not* reinstated if you get FEGLI again at a later date. If you still want the insurance to be assigned, you must complete a new Assignment of Federal Employees' Group Life Insurance form (RI 76-10).

### **Conversion**

When your assigned insurance terminates (other than by voluntary cancellation by all assignees), each assignee has the right to convert his/her share of the insurance to a private policy on you. If an assignee's share is not a multiple of \$1,000, it is rounded up to the next thousand dollar amount.

Your employing office will send a Notice of Conversion Privilege (SF 2819), a copy of the Agency Certification of Insurance Status (SF 2821), and a copy of the Assignment of Federal Employees' Group Life Insurance form (RI 76-10), to each assignee.

If you also have Option C coverage, your employing office will send you a Notice of Conversion Privilege (SF 2819) and a copy of the Agency Certification of Insurance Status (SF 2821). You can use these forms only to convert your Option C coverage.