

Living Benefits

- , **Definition**
- , **Living Benefits vs. Assignment to a Viatical Settlement Company**
- , **Eligibility**
- , **Amount of Insurance Available for Election**
- , **Limit on Number of Elections**
- , **Election Procedures**
- , **Application Process**
- , **Completing the Election**
- , **Living Benefits Approval**
- , **Living Benefits Disapproval**
- , **Employing Office Responsibilities during the Election Process**
- , **Employing Office Processing of a Living Benefits Election**
- , **Effect of a Living Benefits Election**
- , **Post-election Basic Insurance Amount**
- , **Retirement Election for Post-65 Reduction**
- , **Changes in Withholdings and Contributions**
- , **Miscellaneous Provisions**
- , **Optional Insurance**
- , **Accidental Death & Dismemberment Coverage**
- , **Designations of Beneficiary**
- , **Assignment**
- , **Incorrect Prognosis**
- , **Tax Treatment of Living Benefits**

Definition

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

Living Benefits became effective July 25, 1995.

Living Benefits vs. Assignment to a Viatical Settlement Company

Living Benefits payments come from the Employees' 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.

Eligibility

You are eligible to elect Living Benefits if you are an employee, annuitant, or compensation covered under the FEGLI Program who has been diagnosed as terminally ill with a life expectancy of nine months or less, and you have not assigned your insurance.

You *cannot* apply in advance; you must be terminally ill at the time of application.

Amount of Insurance Available for Election

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

If you are an employee, you can elect either full Living Benefits, i.e., all of your Basic insurance, or partial Living Benefits (which must be expressed as a multiple of \$1,000). Annuitants and compensationers can elect only full Living Benefits.

Limit on Number of Elections

You can elect Living Benefits only once.

If you elect full Living Benefits, you have no more Basic insurance. If you elect partial Living Benefits, you cannot later elect another Living Benefit from the remaining Basic insurance.

ELECTION PROCEDURES**Application Process**

If you want to apply for Living Benefits, you must contact the Office of Federal Employees' Group Life Insurance (OFEGLI) at 1-800-633-4542. OFEGLI will send you an application form, Claim for Living Benefits (FE-8).

Note: Agencies *cannot* obtain a supply of FE-8, and employing offices are not to give this form to employees who ask about Living Benefits.

When OFEGLI sends the FE-8, it also sends a calculation sheet, so you can estimate the amount of Basic insurance available. The calculation sheet takes into account the age multiplication factor for employees under age 45 and the post-65 reduction for annuitants age 65 and over.

The benefits available will be reduced by an amount representing interest lost to the Employees' Life Insurance Fund because of the early payment of benefits.

Completing the Election

You complete Part A of the Claim for Living Benefits (FE-8), and your doctor completes Part B. You then send the form back to the Office of Federal Employees' Group Life Insurance (OFEGLI). Only the terminally ill person can apply for Living Benefits. A guardian, someone with power of attorney, or any other person *cannot* apply for Living Benefits on your behalf.

OFEGLI determines whether you qualify for Living Benefits.

Living Benefits Approval

If the Office of Federal Employees' Group Life Insurance (OFEGLI) approves your Living Benefits application, you will receive a check, along with an Explanation of Benefits (FE-8C). You can change your mind about electing Living Benefits up until you cash or deposit the check. *The effective date of the Living Benefits is the date you cash or deposit the check.*

If you decide not to elect the Living Benefits, you should write "Void" on the check and return it to OFEGLI. If the Living Benefits payment is not cashed before your death, your representative must return the check to OFEGLI. Your beneficiaries may then file a claim for death benefits.

Living Benefits Disapproval

If the Office of Federal Employees' Group Life Insurance (OFEGLI) does not approve your Living Benefits application, you and your employing office will be notified. There are no appeal rights; however, you can provide additional medical evidence to support your claim or reapply if future circumstances warrant.

Employing Office Responsibilities during the Election Process

When the Office of Federal Employees' Group Life Insurance (OFEGLI) receives your application for Living Benefits, it will send or fax your employing office an Agency Certification for FEGLI Living Benefits (FE-8A). Your employing office must certify whether you are enrolled in Basic insurance, whether you have assigned your insurance, and the amount of your current annual basic pay.

Like the Agency Certification of Insurance Status (SF 2821), the FE-8A requires dual certification, i.e., it must be certified by both a personnel official and a payroll official. Employing offices must make sure that the addresses of the personnel and payroll offices are complete, since OFEGLI uses these addresses to send the agency a copy of the Explanation of Benefits (FE-8C).

It is critical that this certification be completed and returned to OFEGLI promptly. Agencies must fax the completed certification to OFEGLI, at 212-578-4491, and then mail the original to OFEGLI. OFEGLI can process the Living Benefits application from the faxed FE-8A and can even prepare the check; however, OFEGLI will not mail the check until it has the FE-8A certification containing the original signatures.

If an employing office's personnel and payroll functions are in different geographic locations, the personnel office can send the FE-8A with its signature directly to OFEGLI and fax a copy to its payroll office. The payroll office can make its certification on the faxed copy, faxing it to OFEGLI when it's complete (so OFEGLI can start processing it) and also mailing it. In this case the required original signatures will be on two separate copies of the FE-8A.

Employing Office Processing of a Living Benefits Election

When your employing office receives notification of a Living Benefits election (i.e., a copy of the Explanation of Benefits), the personnel office must produce an SF 50. The appropriate Nature of Action code for the SF 50 is either 805 (Elected Full Living Benefits) or 806 (Elected Partial Living Benefits).

Note: There will be no change to the codes used in box 27 on this form. The code for FEGLI will remain the same as it was before the Living Benefit election. You still have Basic insurance; however the amount of insurance in force is either \$0 (in the case of a full Living Benefit) or a reduced amount (in the case of a partial Living Benefit).

The "Remarks" section of the SF 50 should state:

“Code B67

Elected full Living Benefits on _____.

Basic coverage now equals zero.”

OR

“Code B68

Elected partial Living Benefits on _____.

Post-election Basic Insurance Amount is _____.

Must elect "No Reduction for Basic insurance" at retirement.”

The "Remarks" section should state what Optional insurance, if any, you have, including the number of multiples of Option B, if applicable.

EFFECT OF A LIVING BENEFITS ELECTION

Post-election Basic Insurance Amount

When you cash or deposit the Living Benefits check, the Office of Federal Employees' Group Life Insurance (OFEGLI) sends a copy of the Explanation of Benefits (FE-8C) to your personnel and payroll offices. This Explanation of Benefits shows the effective date of your Living Benefits election and the amount of Basic insurance that remains (the post-election Basic Insurance Amount); if you elected full Living Benefits, the post-election Basic Insurance Amount is \$0.

Your employing office does not calculate the amount of your post-election Basic Insurance Amount; this is done by OFEGLI.

This post-election Basic Insurance Amount never changes. Even if your salary changes, the post-election Basic Insurance Amount remains the same. The age factor used in computing benefits payable upon your death also will not change.

Example

Ron elects a partial Living Benefit; his post-election Basic Insurance Amount is \$15,000. Three months later he gets a pay raise; two months later he turns 41; one month later he dies.

At the time of death, his Basic Insurance Amount is \$15,000; his pay raise had no effect on his Basic Insurance Amount, since a post-election Basic Insurance Amount never changes. Although he was 41 at the time of death, the death benefits are computed based on age 40, since that was his age at the time of election. His beneficiary(ies) would therefore receive \$22,500 (Basic Insurance Amount of \$15,000 x an age factor of 1.5 [the age factor for age 40]).

Retirement Election for Post-65 Reductions

The Basic Insurance Amount for an employee who elects Living Benefits cannot change. If you elected a partial Living Benefit and qualify to continue coverage into retirement, you must elect "No Reduction for Basic insurance" on the Continuation of Life Insurance Coverage form (SF 2818), unless you decide to cancel or convert your coverage. You cannot change to 75% Reduction at a later date.

A Living Benefit election has no effect on your post-65 reduction election for Option B or Option C.

Changes in Withholdings and Contributions

If you elect full Living Benefits, withholdings and contributions for Basic insurance stop.

If you elect partial Living Benefits, withholdings and contributions for Basic insurance are based on your post-election Basic Insurance Amount.

Changes in withholdings and contributions are effective at the end of the pay period in which your Living Benefits election is effective. If the pay period ends before your employing office receives its copies of the Explanation of Benefits (FE-8C), it must make a retroactive adjustment.

MISCELLANEOUS PROVISIONS

Optional Insurance

A Living Benefits election has no effect on your Optional insurance. All Optional insurance remains in place, and withholdings for Optional insurance continue *unchanged*.

Although changes in pay do not change the amount of your Basic insurance after a Living Benefits election, the amount of Option B insurance does continue to change when pay increases or decreases. If you elect partial Living Benefits, *withholdings for Basic insurance and Option B insurance will be based on different amounts*.

Accidental Death & Dismemberment Coverage

If you elect full Living Benefits, you lose Accidental Death & Dismemberment coverage on Basic insurance, since your Basic Insurance Amount is \$0. (Accidental Death & Dismemberment coverage remains in effect for Option A.)

If you elect partial Living Benefits, you still have Accidental Death & Dismemberment coverage, but only on your post-election Basic Insurance Amount.

Designations of Beneficiary

A Living Benefits election has no effect on your Designation of Beneficiary. Option A benefits, Option B benefits, and any Basic benefits remaining after a partial Living Benefits election are paid to your designated beneficiary (or according to the order of precedence, if there is no designation).

However, if you designated Basic insurance to one beneficiary and Optional insurance to another beneficiary and you elect full Living Benefits, the beneficiary designated to receive Basic benefits will not receive any payment when you die. The beneficiary designated to receive Optional insurance will still receive those benefits.

Assignment

If you have assigned your insurance, you can't elect Living Benefits. Your assignee(s) can't elect Living Benefits on your behalf.

If you elect full Living Benefits, you can assign any Optional insurance. If you elect partial Living Benefits, you may assign any remaining insurance (Basic and/or Optional).

Incorrect Prognosis

If you elect Living Benefits and live longer than the expected nine months, you do *not* have to repay the Living Benefit.

Tax Treatment of Living Benefits

Living Benefits payments 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). Living Benefits payments received before that date were subject to Federal income tax.

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 Living Benefits (also called accelerated death benefits). You should consult a tax advisor or your State's tax department for specific information concerning State income tax laws.