

INSURABLE INTEREST ELECTION



Insurable Interest Election

Insurable Interest is an insurance term that applies to a person who would benefit from the employee continuing to remain alive and who has a reasonable expectancy of financial benefit in the continuation of the employees' life. If you are in good health at the time of your retirement, you may elect this continuing monthly benefit, paid after your death, to an individual with an insurable interest. This benefit is **more** costly and *less* generous in comparison to a survivor benefit. The benefit amounts to 55% of your reduced annuity.

A retiring employee may name only one person as the beneficiary of an insurable interest annuity. Spousal consent is not required. However, if married an insurable interest election may not be made on behalf of a current spouse *unless both* you and your current spouse have consented to waive the current spouse's annuity by completing and attaching SF 2801-2 to your application for an insurable interest election. If a retiring employee wishes to make an insurable interest election, he or she must get a medical examination showing they are in good health. The form needed is at this link - http://www.opm.gov/forms/pdf_fill/OPM1530.pdf . The retiring employee is responsible for all costs of the medical exam. A report of the medical examination signed by a licensed physician should be attached to the retirement application.

An insurable interest is presumed to exist for:

- Current spouse;
- Blood or adoptive relative closer than first cousins;
- Former spouse;
- Fiancée;
- Valid common-law marriage based on the laws of each state that recognizes common-law marriages

If the person named as the beneficiary is not listed above, then the retiring employee *must* submit affidavits from one of more persons with personal knowledge of the named beneficiary for insurable interest. The affidavit must show the following:

- The relationship between the retiring employee and the person named;
- The extent to which that person is dependent on the employee; and
- Reason why the person named might expect to derive financial benefit from the retirees continued life

An Insurable Interest Annuity Automatically Ends If:

- The person named to receive insurable interest dies;
- The person named is the current spouse and the retiree changes the election;
- After retirement, the retiree marries the insurable interest beneficiary and elects to provide a survivor annuity for current spouse

Age of Insurable Interest & Reduction to Provide this Benefit

The reduction in your annuity to provide this benefit is based on the difference in age between you and your insurable interest. The following shows the reductions based on the age difference.

Age	Reduction
Older, same age, or less than 5 years younger	10%
5 but less than 10 years younger	15%
10 but less than 15 years younger	20%
15 but less than 20 years younger	25%
20 but less than 25 years younger	30%
25 but less than 30 years younger	35%
30 or more years younger	40%

Example

Your base annuity is \$12,000 and your insurable interest is 23 years younger, your annuity would be reduced by 30% -- the reduction would equal \$3,600. Upon your death, your insurable interest beneficiary would receive 55% of \$8,400 (\$12,000 - \$3,600) -- \$4,620 annually.