

# WAEPA GUIDE

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## WAEPA vs. FEGLI Life Insurance



Worldwide Assurance for  
Employees of Public Agencies, Inc.  
[waepa.org](http://waepa.org)

# About the Author

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Mr. Zurndorfer conducts monthly webinars for federal employees and retirees through the company *Serving Those Who Serve*. These monthly webinars discuss and explain CSRS and FERS retirement benefits, Social Security benefits, the Thrift Savings Plan, federal employee insurance benefits including the Federal Employee Health Benefits Program and the Federal Employee Group Life Insurance, Medicare, Survivor Benefits, Tax Planning for Retirement and Estate Planning for federal employees.

Mr. Zurndorfer writes a weekly column on Federal employee benefits for the website [myfederalretirement.com](http://myfederalretirement.com) and also writes a weekly column on employee benefits for *Serving Those Who Serve* called the FEDZONE ([fed-zone.com](http://fed-zone.com)). He formally wrote weekly columns on federal employees benefits and federal employee planning guides for Federal Employees News Digest (FEND). Over the past 25 years, Mr. Zurndorfer has written and authored over 2,500 weekly columns and publications.

## Disclaimer

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The information presented in the WAEPA versus FEGLI Planning Guide for Federal Employees is not intended to be a substitute for specific life insurance advice as individual situations will vary. Because individual life insurance needs and situations vary, it is suggested that individuals should discuss any individual life insurance needs with a qualified and licensed life insurance professional.

All our **FREE WAEPA Guides**  
are now available on our website  
at **waepa.org**.

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## 2024 WAEPA vs. FEGLI Life Insurance Guide For Federal Employees

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"This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is published with the understanding that the publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought."— *From a Declaration of Principles jointly adopted by a committee of the American Bar Association and a committee of publishers and associations.*

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## The 2024 WAEPA Versus FEGLI Life Insurance Guide is presented by:



The goal of WAEPA is to provide access to products and services that promote the health, welfare, and financial well-being of its members.

WAEPA – A nonprofit association formed in 1943, governed by Federal Employees, just like you, to serve the Federal community.

Join WAEPA Today – Membership offers the opportunity to participate in Group Term Life Insurance programs and other services through the association.

# Introduction

For most individuals including federal employees, life insurance is the cornerstone of a sound financial plan. Among the reasons individuals purchase life insurance is income protection for dependent family members, paying off a large debt such as a mortgage, to help pay estate settlement costs including the cost of a funeral and estate and inheritance taxes, and to provide an instant estate for family members.

Many federal employees own life insurance on themselves through the Federal Employees Group Life Insurance (FEGLI). FEGLI is a group-sponsored life insurance plan in which the group sponsor is the Federal government. Full-time and part-time permanent employees are eligible to join FEGLI when they are hired into federal service. But federal employees have other choices regarding how to address their life insurance needs. One's choice is to purchase an individual life insurance policy from a private insurance company. There are many private insurance companies that offer individual life insurance policies. These individual life insurance policies include term life insurance policies and cash value (permanent) life insurance policies. There are some companies that offer individual life insurance through group membership. One such

company is the Worldwide Assurance for Employees of Public Agencies (WAEPA).

In order to save on their life insurance premiums and to make sure the amount and type of life insurance meets their needs; employees are encouraged to compare FEGLI with an individual life insurance policy or life insurance offered through a group. This publication will assist employees in comparing FEGLI with WAEPA. Readers of this guide are encouraged to consider their life insurance needs. Specifically, ask themselves the following 10 questions:

- How much life insurance is needed?
- Who will be the owner of the life insurance policy? This is important for federal and state estate tax purposes.
- Who will be the beneficiary of the life insurance proceeds?
- Do I plan to remain in federal service and if so, will I need to contribute FEGLI life insurance coverage in retirement?
- How is my current health? If I did not enroll in FEGLI when I was initially hired, can I enroll at any time?
- Will my life insurance needs be carried into retirement and beyond?

- Will I be able to afford what will be the higher life insurance premium in retirement?
- Does FEGLI and WAEPA offer some other types of benefits that are useful for retiring employees and retirees?
- Are there benefits besides life insurance that are available in both FEGLI and WAEPA?

This WAEPA-sponsored publication will help federal employees answer these and other questions regarding their life insurance coverage. With FEGLI “open seasons” held rather infrequently (on average every 7 to 10 years; the last FEGLI “open season” was held September 1 - 30, 2016), now is a great time for federal employees to become acquainted with and educated about life insurance, their choices to meet their current and future life insurance needs, and to fill in any gaps in their life insurance coverage.

**Edward A. Zurndorfer, EA, CFP, CLU, ChFC, ChFEBC, CEBS**  
September 2024

# Why Most Federal Employees Need Life Insurance During Some Point of Their Federal Service

When an individual is hired into federal service as a full-time or a permanent employee, the individual is typically young (in their late 20's or 30's) and may not have a need for life insurance. In particular, the individual may be single with no dependents; that is, no spouse and no children. The individual typically; has no long-term debt such as a mortgage, has enough liquid assets to pay monthly expenses, and has sufficient savings to cover funeral and burial expenses.

A newly hired or rehired federal employee is automatically enrolled in the Federal Employees Group Life Insurance (FEGLI) program. The newly hired or rehired employee can decline the FEGLI life insurance at any time. However, there are employees who do not need the FEGLI life insurance, but they never formally drop the insurance. The result is that these employees are paying for FEGLI life insurance that they may not need.

However, at some point during a federal employee's service, the employee who initially did not need FEGLI life insurance may need life insurance coverage. The following are some life events that will likely trigger a need to purchase a life insurance policy.

- **Income Replacement.** An individual who was single gets married now has dependents (spouse, children) who the individual supports in the form of bringing home a paycheck each month to pay the household monthly expenses. What were to happen if that individual died? What is going to replace the individual's wage income? The death proceeds from a life insurance proceeds can help cover this lost income.
- **Cover burial expenses.** Sadly, a basic funeral service can run upwards of several thousand dollars. While it is possible to pre-pay for one's funeral, individuals do not often think that far ahead. Pre-payment can ensure everything is in place for loved ones after an individual dies. However, there are risks to prepaying a funeral. A life insurance policy in which part of the death proceeds are used to pay the funeral can help to lift the burden of the loved ones as well as the individual.
- **Paying off a large long-term debt, such as a mortgage.** A federal employee at some point in their federal service will

purchase a condominium or a home. The employee may purchase a second/vacation home. Most individuals do not have enough cash to purchase real estate with only cash. They must borrow in the form of a mortgage in order to purchase their real estate. In the instance that an individual and spouse have co-signed for a mortgage and upon the death of the first spouse, the surviving spouse becomes entirely responsible for the mortgage payments. A spousal life insurance policy on each spouse in which at the death of the first spouse the life insurance proceeds can be used to pay off the mortgage balance.

- **Business planning.** While most federal employees do not own a business that they manage, there are employees who own rental properties. They manage the properties and have expenses that they must pay. It is crucial that they consider owning life insurance that will cover their obligations so that, if they were to die, their hard work in owning and managing these rental properties does not go to waste.

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## Why Most Federal Employees Need Life Insurance During Some Point of Their Federal Service *(continued)*

If an employee participates in a partnership with someone else – for example, jointly owning a rental property – both owners of the property should consider life insurance. That way, if one of the property owners dies, the other property owner is

not left holding the heavy financial burden.

- **Estate and inheritance taxes.** When an individual passes away, the individual's heirs often face estate and inheritance taxes. If the individual is worried about

heirs getting hit with a large estate tax and/or inheritance tax bill, then a life insurance policy can help cover these additional costs.

Before making any decisions, please contact your tax advisor.

# Life Insurance Considerations and Choices for Federal Employees

Federal employees have several choices and options available to them to address their life insurance needs. The first choice is to participate in the federal government's group life insurance program, the Federal Employee's Group Life Insurance (FEGLI) – discussed in detail in Chapter 4.

FEGLI is a group-sponsored term life insurance plan. The "group" are federal employees and retirees, and the sponsor is the federal government. Federal employees have access to other group-sponsored term life insurance, one of which is Worldwide Assurance for Employees of Public Agency (WAEPA). WAEPA is a nonprofit company, formed for current and former Civilian Federal Employees. WAEPA is discussed in detail in Chapter 5.

There are some federal employees who are members of professional organizations, and the organizations offer group life insurance to their members. For example, the American Society of Civil Engineers (ASCE) represents more than 150,000 members of the civil engineering professions and offers life insurance to its members, at discounted rates.

There are advantages for an individual to being enrolled in a group-sponsored life insurance program. The premium rates are

usually lower compared to the premiums paid for an individual owned term-life insurance policy. Another advantage is that minimum and sometimes no underwriting is required to qualify for the group life insurance.

There are some disadvantages to owning a group-sponsored term life insurance policy rather than an individual-owned term life insurance policy. One disadvantage is that when an individual leaves the group, the individual loses access to the group life insurance policy. For example, when a federal employee leaves federal service, the departing employee will lose their FEGLI life insurance. Another disadvantage is that employer-sponsored group life insurance plans in which the employer pays a portion of the premiums. Depending on the amount of the employee's life insurance coverage, the employer paid portion of the premiums is typically taxable to the employee.

There are advantages of owning an individual or group term life insurance policy. The advantages are:

1. The initial premiums generally are lower than those for cash value/permanent life insurance. This allows the insured to buy a larger face amount of life insurance at a younger age, when the need

for protection is typically the greatest.

2. Term life insurance is appropriate for covering needs that will disappear over time such as the need to cover the amount left to be paid on a mortgage.

However, term life insurance also has some disadvantage, including:

1. Insurance premiums associated with annual renewable term life insurance usually increase as the policyowner gets older.
2. Insurance coverage may terminate at the end of the term, or because as the premiums increased over the term of the policy, it became too expensive for the policyowner to continue coverage.
3. A term-life insurance policy does not offer cash-value or paid-up insurance.

While term life insurance provides temporary protection, cash value permanent life insurance provides lifetime protection. There are a number of cash value permanent life insurance policies on the market. They include whole life, ordinary life, universal life, adjustable life, variable life and variable universal life insurance. Most of these policies have a feature known as cash value.

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## Some Basic Estate Planning Tools and Documents *(continued)*

The cash value of a cash value/permanent policy is different from the policy's face amount. The face amount is the money that will be paid at death or when the policy endows (matures). That is, upon reaching a certain age, usually age 95, the policy endows in which the cash value of the policy equals the face amount of the policy. On the other hand, the cash value of the policy is available to the policyowner if the policy is surrendered before it endows, as before the death of the insured.

In summary, cash value/permanent life insurance offers a number of advantages and disadvantages, summarized as follows:

### **Advantages:**

- As long as premiums are paid, insurance protection is guaranteed for life.

- Premium costs can be fixed or flexible to meet personal financial needs.
- The policy accumulates cash value which allows the policyowner to borrow against it. These loans must be paid back.
- The policy's cash value, in total or in part, for cash or converted into an annuity which can provide a lifetime income stream, and
- A provision or rider can be added to a policy that gives a policyowner the option to purchase additional life insurance without going through having to furnish evidence of insurability.

### **Disadvantages:**

- Required premium payments may be unaffordable for the policyowner, and

- It may be more costly than term insurance for the same amount of death benefit if the policyowner does not retain the policy for a minimum number of years.

Federal employees are advised to weigh their options with respect to whether term or cash value/permanent life insurance is more appropriate given their life insurance needs. They are encouraged to consult with a life insurance professional to assist them and answer any questions about their life insurance choices.

# The Federal Employees Group Life Insurance (FEGLI) Program

Since 1954, the Federal government has offered group life insurance to employees and retirees through the Federal Employees' Group Life Insurance (FEGLI) Program. FEGLI is a group term life insurance policy. As such, FEGLI builds up no cash value. Also, FEGLI is not level term life insurance. This is because FEGLI premiums increase as an employee's salary increases and the employee gets older .

Most Federal employees including part-time employees are eligible to enroll in FEGLI when they are hired or rehired. Any questions regarding eligibility need to be directed to personnel or a human resources office. Participation in FEGLI is voluntary. However, if an employee is eligible to enroll in FEGLI, then the employee will be automatically enrolled in FEGLI's "basic life" insurance coverage

(see below) unless the employee formally waives coverage. OPM Form SF 2817 (Life Insurance Election) is used to waive FEGLI's life insurance. Enrollment in optional insurance (see below) will occur only if the employee elects to. An employee cannot elect optional insurance if the basic life insurance has been declined.

## "Basic Life" Insurance

An employee's FEGLI "basic life" insurance ( basic insurance amount or BIA) is equal to the greater of:

1. An employee's annual basic pay - as shown on their SF 50 (Notice of Personnel Action) - rounded up to the next \$1,000, plus \$2,000, or
2. \$10,000. For example, an employee whose current annual basic pay is \$33,145 is entitled to a FEGLI BIA of \$36,000 while an employee whose annual basic pay is \$5,389 would be entitled to a FEGLI BIA of \$10,000.

FEGLI also offers an extra benefit to employees under age 45 at no additional cost. The extra benefit doubles the amount of life insurance payable if the employee is age 35 or younger. For example, if the employee above (with an SF 50 salary of \$33,145 and BIA of \$36,000) is younger than age 35, then their basic life insurance coverage is \$72,000 at no additional premium cost to the employee. Beginning on the employee's 36th birthday, the extra benefit decreases 10% each year until age 45 at which time there is no extra benefit (at no extra cost). Table 1 summarizes the extra coverage:

## “Basic Life” Insurance *(continued)*

**Table 1. FEGLI Basic Life Insurance Extra Benefit for Employees Younger than Age 45:**

Age	Extra Benefit (Multiply BIA coverage by the following factor)
35 or under	2.0
36	1.9
37	1.8
38	1.7
39	1.6
40	1.5
41	1.4
42	1.3
43	1.2
44	1.1
45 and over	1.0

Here are two examples that illustrate basic FEGLI BIA coverage under FEGLI.

**Example 1.**

Employee is age 26 with an SF 50 salary of \$26,780. BIA equals \$27,000 (SF 50 salary rounded to higher \$1,000) plus \$2,000, or \$29,000, times 2.0 (extra benefit), or \$58,000.

**Example 2.**

Employee is age 47 with a basic salary of \$74,434. BIA equals \$75,000 (SF 50 salary rounded to highest \$1,000), plus \$2,000, or \$77,000. *There is no extra benefit because the employee is over age 45.*

## “Basic Life” Insurance *(continued)*

There is also accidental death and dismemberment (AD&D). AD&D insurance provides additional funds in the event of a fatal accident or an accident which results in the loss of a limb or eyesight. For benefits to be paid, the death or loss must occur within 90 days

after the accident and be a direct result of bodily injury sustained from that accident, independent of all other causes.

AD&D insurance is automatically included in the BIA at no additional cost. It does not

include the Extra Benefit for those under age 45 and is equal to the BIA. AD&D is also automatically included in Option A at no additional cost, equal to \$10,000. The AD&D schedule of losses is presented in Table 2.

**Table 2. AD&D Schedule of Losses**

For the Loss of	The Amount Payable is
Life	Principal Amount <sup>1</sup>
Two or more Members <sup>2</sup>	Principal Amount <sup>1</sup>
One Member <sup>2</sup>	50% of Principal Amount <sup>1</sup>

<sup>1</sup>The Principal amount is the full amount of AD&D insurance. For employees not enrolled in Option A, it is equal to their Basic Insurance amount. For employees enrolled in Option A, it is equal to the sum of their BIA plus \$10,000. The Principal amount is paid in addition to the regular payment for loss of life

<sup>2</sup>A Member is a hand, foot, or the sight in one eye.

**Note:** For all losses resulting from any one accident, no more than the Principal amount is payable.

The Office of Federal Employees' Group Life Insurance (OFEGLI) (which administers FEGLI) will not pay AD&D benefits if the insured's death or loss in any way results from, is caused by, or is contributed to by:

- Physical or mental illness
- The diagnosis of or treatment of physical or mental illness
- Ptomaine or bacterial infection (However, OFEGLI will pay AD&D benefits if the loss is caused by an accidentally sustained external wound.)
- Hernia, no matter how or when sustained
- A war (declared or undeclared), any act of war, or any armed aggression against the United States, in which nuclear weapons are actually being used
- A war (declared or undeclared), any act of war, or any armed aggression or insurrection in which the insured is in actual combat at the time bodily injuries are sustained
- Suicide or attempted suicide
- Injuring oneself on purpose
- Illegal or illegally obtained drugs that you administer to oneself
- Driving a vehicle while intoxicated, as defined by the laws of the jurisdiction in which the insured was operating the vehicle

## “Basic Life” Insurance *(continued)*

The employee premium cost of FEGLI “basic” life insurance is 16.0 cents per thousand dollars of coverage biweekly (34.67 cents monthly).

### Example 1

Above the employee premium cost for the \$29,000 of BIA is:

29 X \$0.16/pay date X 26 pay dates/  
calendar year or or \$120.64/year.

Source: [Federal Employees Group Life Insurance \(FEGLI\) Handbook](#)

### Example 2

The employee premium cost for the \$77,000 of BIA is:

77 X \$0.16/pay date X 26 pay dates/  
calendar year or or \$320.32/year.

In addition to the BIA, the FEGLI program also offers three optional insurances. The optional coverages are Option A (Standard), Option B (Multiple of Salary) and Option C (Family Coverage). Note that an employee must be enrolled in the FEGLI BIA in order to elect any of optional insurances. Employees and

retirees pay the full premium cost for all optional insurance (no federal government premium contribution).

Unlike the FEGLI BIA, enrollment in optional insurance is not automatic. An employee must submit a completed Life Insurance Election Form

(SF 2817) (see the Appendix) to one’s personnel or human resource office within 31 days of becoming eligible in order to enroll in any or all of the FEGLI optional coverages.

The three optional insurances are discussed:

### Option A – Standard Life Insurance

Option A (Standard) is \$10,000 of life insurance. Employees pay the full amount of premiums for this insurance, as the government contributes nothing to the cost of Optional FEGLI. The table on the right presents current (2024) biweekly and monthly premium rates for Option A (Standard). Premiums may increase in the future.

**Rates for Option A – Standard**

Age Group	Biweekly	Monthly
Under 35	\$0.20	\$0.43
35 – 39	\$0.20	\$0.43
40 – 44	\$0.30	\$0.65
45 – 49	\$0.60	\$1.30
50 – 54	\$1.00	\$2.17
55 – 59	\$1.80	\$3.90
60+	\$6.00	\$13.00

*For payroll withholding purposes, an employee will attain an age in the first pay period after the employee’s birthday*

## “Basic Life” Insurance *(continued)*

### Option B – Additional

Employees may elect Option B (Multiple of Salary) in an amount equal to one, two, three, four, or five times an employee’s annual basic pay (after rounding up to the next \$1,000). AD&D benefits are not a feature of Option B. The following table presents current (2024) biweekly and monthly premium rates for Option B (Multiple of Salary). Premiums rates may increase in the future.

### Rates for Option B – Additional

Age Group	Biweekly	Monthly
Under 35	\$0.02	\$0.043
35 – 39	\$0.02	\$0.043
40 – 44	\$0.03	\$0.065
45 – 49	\$0.06	\$0.130
50 – 54	\$0.10	\$0.217
55 – 59	\$0.18	\$0.390
60 – 64	\$0.40	\$0.867
65 – 69	\$0.48	\$1.040
70 – 74	\$0.86	\$1.863
75 – 79	\$1.80	\$3.900
80 and over	\$2.88	\$6.240

### Option C (Family Coverage)

An employee may elect Option C (Family Coverage) to provide coverage for a spouse (including a legal same-sex spouse) and eligible dependent children and stepchildren. When electing Option C, all of an employee’s eligible family members are automatically covered. One, two, three, four, or five multiples of coverage may be selected. Each multiple is equal to \$5,000 for a spouse and \$2,500 for each dependent child. A spouse will have the same multiple as a dependent child(s).

For example, if an employee elects four multiples, then if a

spouse dies, the employee is the beneficiary of \$20,000 (4 times \$5,000). If a dependent child dies, then the employee is the beneficiary of \$10,000 (4 times \$2,500).

Eligible dependent children must be unmarried and under age 22 or if age 22 or over, incapable of self-support because of a mental or physical disability that existed before the child reached age 22. Eligible dependent children include natural, adopted, stepchildren (if they are in a normal parent-child relationship, recognized natural children, and foster children [if they live with the employee in a normal parent-child relationship]).

The employee is the beneficiary of Option C Family life insurance benefits upon the death of a spouse or child. An employee cannot designate a beneficiary for Option C insurance. The following table presents current (2024) biweekly and monthly premium rates for Option C (Family Coverage). Note that the premium rates are based on the current age of the employee (not the age of the insured spouse or insured child).

## “Basic Life” Insurance *(continued)*

**Rates for Option C – Family**  
**1 Multiple = \$5,000 for a Spouse**  
**1 Multiple = \$2,500 for Each Eligible**  
**Dependent Child**

Age Group	Biweekly per Multiple	Monthly per Multiple
Under 35	\$0.20	\$0.43
35 – 39	\$0.24	\$0.52
40 – 44	\$0.37	\$0.80
45 – 49	\$0.53	\$1.15
50 – 54	\$0.83	\$1.80
55 – 59	\$1.33	\$2.88
60 – 64	\$2.43	\$5.27
65 – 69	\$2.83	\$6.13
70 – 74	\$3.83	\$8.30
75 – 79	\$5.76	\$12.48
80 and over	\$7.80	\$16.90

Here is an example that illustrates the cost of optional insurance.

**Example 3.** Henry, age 40, is a federal employee who has FEGLI basic insurance, Option A and Option C. Option C is for his wife, Janice, and two children, Paul and Sharon, ages 8 and 10. Henry has elected a multiple of 5. The total Option C will therefore be 5 times \$5,000 or \$25,000 for Janice and 5 times \$2,500 or \$12,500 for both of Henry’s children, a total of \$25,000. Henry’s total Option C coverage is \$50,000 (\$25,000 plus \$25,000). The cost to Henry (age 40) from the table will be per pay period:

50 multiples X \$0.37 (cost per multiple) = \$18.27

With 26 pay periods per year, Henry’s annual cost for his Option C (Family Coverage) life insurance is:

26 pay periods X \$18.27/pay period = \$481.00

# Changing FEGLI Coverage

If an employee waived all insurance or did not elect any optional insurance when first hired, or if the employee wants additional coverage, then the employee has three opportunities to make changes: (1) During an open enrollment or open season; (2) By arranging and taking a physical exam; or (3) Through a “life event”.

A FEGLI open season is rare. Open enrollment periods are held and when specifically scheduled by the Office of Personnel Management (OPM). The last FEGLI “open season” was held Sept. 1 through Sept. 30, 2016.

As long as at least one year has passed since the effective date of an employee’s last waiver of life insurance

coverage, an employee can request coverage or additional coverage by getting a physical exam (at their own expense) and filing the form Standard Form (SF) 2822 (Request for Life Insurance) . The employee and their human resource office must complete part of the form and send the form to a physician or other medical professional. The physician will examine the employee, complete the rest of Standard Form 2822, and send the form to the Office of Federal Employees Group Life Insurance (OFEGLI). If OFEGLI approves the employee’s request, the individual’s human resource office will automatically enroll the employee in the FEGLI BIA (unless the employee is

enrolled in the FEGLI BIA). The individual has 31 days to elect Option A, Option B or increase Option B multiples (up to a total of 5). Option C cannot be elected, nor can Option C be increased by getting a physical exam. Option C may only be obtained based on a qualifying life event (see Table 3).

Finally, if an employee is enrolled in FEGLI BIA, then they may elect Option B or increase multiples of Option B and/ or elect Option C or increase multiples of Option C based on a “life event.” The employee must fill out Standard Form 2817 (Life Insurance Election) and submit Standard Form 2817 to their Human Resources Office. Table 3 below lists the qualifying events.

**Table 3. Summary of Life Events and Their Effect on FEGLI coverage**

Life Event	Option B Multiples One May Elect (Up to Five Total)	Option C Multiples One May Elect (Up to Five Total)	Effective Dates
Marriage	The number of additional family members (spouse and eligible children*) you gain from the marriage.	Same as Option B, except acquiring a foster child counts as a life event for Option C purposes.	If you submit Standard Form 2817 before the event: date of event and, for Option B, you are in a pay and duty status.
Divorce	The total number of your eligible children.		If you submit Standard Form 2817 after the event:
Death of Spouse	The total number of your eligible children.		The date a Human Resources Office receives form, and, for Option B, you are in a pay and duty status.
Children	The total number of eligible children* acquired in this event.		<b>Time Limit:</b> within 60 calendar days after date of event.

\* Acquiring a foster child does not count as a life event for Option B purposes.  
Source: [Federal Employees Group Life Insurance \(FEGLI\) Handbook](#)

## Changing FEGLI Coverage *(continued)*

If a federal employee is not enrolled in the FEGLI program, when can the employee enroll? Table 4 summarizes when an employee can enroll in the FEGLI program, or if an employee is enrolled in FEGLI BIA, when the employee can elect the three optional coverages.

**Table 4. FEGLI Enrollment Opportunities for Federal Employees**

Type of FEGLI Insurance	Open Enrollment	Wait a Year and Submit Acceptable Results of a Physical Exam	Experience a Qualified Life Event
FEGLI BIA	Depends on details of open enrollment	YES	NO
Option A*	Same as Basic	YES	NO
Option B*	Same as Basic	YES	YES
Option C*	Same as Basic	NO	YES

\* One must have FEGLI BIA in order to elect any Optional insurance.

## Other FEGLI Provisions

- Assignment** – “Assignment” refers to the fact that the owner and insured of the FEGLI coverage (Basic, Option A and Option B) life insurance gives ownership and control to someone else. The insurance is still on the employee’s life and the employee continues to pay for the coverage, but someone else owns the policy. FEGLI coverage may be assigned to an individual, a corporation, or to an irrevocable trust. FEGLI coverage may even be assigned to the Civil Service Retirement and Disability Fund in order to pay off amounts owed (for example, deposits and redeposits owed to the fund. A decision to assign one’s FEGLI coverage is irrevocable. Enrollees assign insurance to comply with the requirements of a court order upon divorce, for inheritance tax purposes, to get money before death (for terminally ill and chronically ill persons only), or to satisfy a debt.
- Conversion** – An employee’s FEGLI coverage will end when the employee resigns from Federal service, completes 12 months in a non-pay status, or retires. If the employee decides that they still need life insurance, then the FEGLI coverage may be converted 2817 (Life Insurance Election) and submit Standard Form 2817 to their Human Resources Office. Table 3 below lists the qualifying events.

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## Other FEGLI Provisions *(continued)*

to a non-group individual policy. The individual will not have to furnish evidence of insurability via a physical exam in order to convert. The amount of insurance that may be converted is less than or equal to the total of one's Basic and Options A and B (If applicable). However, FEGLI coverage may not be converted if the employee: (1) Will continue that same coverage as a retiree; (2) If within three calendar days after the individual's FEGLI insurance stops, the individual returns to Federal service in a position and eligible for FEGLI insurance; or (3) FEGLI insurance ends because the employee voluntarily cancelled it. Also, if an employee has assigned their FEGLI insurance, the employee gives up the right to convert coverage. Only assignee(s) may convert insurance coverage.

- **Living Benefits ("Accelerated Death Benefits")** – FEGLI provides for payment of the employees FEGLI BIA

of the insured employee or annuitant who is terminally ill with a life expectancy of nine months or less. An employee may elect either a full living benefit (full amount of the BIA) or a partial living benefit (in multiples of \$1,000). A retired employee may only elect a full living benefit. With a full benefit, withholding for premiums ceases. With a partial benefit, FEGLI premiums are recalculated. Terminally ill persons may receive living benefits free of federal income taxes. Living benefits may be elected only once and an election cannot be retracted.

- **Claim for Death Benefit Payment** – A FEGLI beneficiary or other survivor of FEGLI must complete a claim form (Form FE-6 Claim for Death Benefits) and submit the form along with a certified death certificate, to the deceased's human resources office. If an employee has Option C and an insured family dies, the employee should contact their human resources office

for the form FE-6) which contains further instructions. OFEGLI will send the deceased's beneficiary(s) or other survivors a check for death benefits if the payment is less than \$7,500. For payments of \$7,500 or more, OFEGLI will open a money market account automatically in the name of the payee(s) and will mail a checkbook to the payee(s). The payee(s) may close the account immediately or write checks for any amount – from \$250 up to the entire balance in the account – at any time. There is no charge for checks, and the account balance earns interest from the day it is opened. At the time of payment, OFEGLI will send the payee(s) complete details about the account. There are no exclusions from payment of basic life or optional insurance due to suicide. However, death by suicide, does not qualify for Accidental death and Dismemberment (AD&D) insurance.

## Planning Point

Federal employees and annuitants should make sure that their FEGLI beneficiary form Standard Form 2823) is filed and current. This is especially

important for individuals whose family circumstances have changed, such as divorce or death of loved ones. Form Standard Form 2823 must be completed and submitted

to the employee's or human resources personnel office, and the latter must receive Standard Form 2823 before the insured employee or retiree dies.

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## Planning Point *(continued)*

**Table 5. Summary of FEGLI Features for Employees.**

<ul style="list-style-type: none"><li>• If eligible, an employee is automatically enrolled in FEGLI BIA, unless the employee waives it.</li></ul>
<ul style="list-style-type: none"><li>• An employee must take action in order to enroll in the FEGLI optional insurances.</li></ul>
<ul style="list-style-type: none"><li>• An employee must be enrolled in “basic” in order to elect the optional insurances.</li></ul>
<ul style="list-style-type: none"><li>• The federal government pays one-third of the premium cost of an employee’s BIA coverage, and the employee pays the other two-thirds of the premium cost. The employee pays 100% of the cost of the optional insurances.</li></ul>
<ul style="list-style-type: none"><li>• An employee can voluntarily cancel (waive) FEGLI insurance coverage at any time unless they have assigned your coverage. If an employee cancels “basic” insurance, the employee automatically cancels all forms of optional insurances.</li></ul>
<ul style="list-style-type: none"><li>• For some types of coverage, an employee can elect more coverage by submitting acceptable results of a physical exam or by experiencing a qualifying life event.</li></ul>

Additional information on FEGLI may be obtained going to [opm.gov/healthcare-insurance/life-insurance](https://www.opm.gov/healthcare-insurance/life-insurance). The Web site has a link to the FEGLI Booklet for Federal Employees, the FEGLI Booklet for Postal Employees, the FEGLI Pamphlet for Retirees, FEGLI forms, and the FEGLI premium rates.

# The Worldwide Assurance for Employees of Public Agencies (WAEPA) Life Insurance Program



WAEPA offers Group Term Life Insurance to current and former Civilian Federal Employees as its primary life insurance option. It also offers guaranteed issue Group Term Life Insurance to newly hired Civilian Federal Employees within the first year of federal service. More about the new employee WAEPA offer below.

WAEPA's life insurance premium rates are calculated across the entire group of federal employees rather than for individuals. This means that WAEPA insurance premium rates are exclusively priced. Those federal employees interested in applying for WAEPA life insurance can get a premium quote by going to:

[waepa.org/membership/eligibility](https://www.waepa.org/membership/eligibility)

Current and former employees can apply for life insurance coverage of up to \$1.5 million of coverage, regardless of their current or former salary in federal service.

## WAEPA Life Insurance Coverage for Family Members

Eligible spouses of WAEPA members are welcome to apply as an associate (spouse) member and can receive \$1.5 million in coverage on their own Group Term Life Insurance policy.

Spouses and children are also eligible for dependent coverage, up to \$500,000 and \$25,000, respectively.

## Life Insurance Coverage Considerations

A federal employee's life insurance coverage needs are unique to the employee and their family. Several factors should be considered by an employee when applying for WAEPA life insurance, including:

- The employee's current and future expenses.
- The employee's financial role in the family.

- The employee's short-term debt and long-term debt.
- The employee's family's financial future.

To assist employees in determining how much life insurance is appropriate and right for the employee, WAEPA offers an app that may be found at: [waepa.org/resources/life-insurance-needs-analysis](https://www.waepa.org/resources/life-insurance-needs-analysis)

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## Applying for WAEPA Life Insurance

Once a federal employee, or former federal employee, determines the amount of life insurance that meets their needs, it is easy to get approved for a WAEPA life insurance policy. Applications are available by going to: [waepa.nylinSure.com](http://waepa.nylinSure.com)

The application is completed online. Applicants should make

sure that they have essential information available before they start the application process including:

1. Beneficiaries
2. Social Security number
3. Medical history
4. Premium payment information

Applicants who are under age 50 and who are applying for life insurance coverage for up to \$1 million, as well as applicants under age 60 and who are applying for up to \$750,000 may qualify for QuickDecision (see below) and receive a decision in minutes. The standard application process can take four to six weeks.

### QuickDecision

QuickDecision is an automated underwriting process that allows eligible prospective applicants to receive a decision in minutes. The standard underwriting process can take over 30 days, but with QuickDecision there is no medical exam, lab work or doctor's visit required. The following applicants for WAEPA Group Term Life Insurance coverage may qualify to use QuickDecision:

- Applicants under age 50, applying for up to \$1 million
- Applicants aged 50 to 59, applying for up to \$750,000

### Life Insurance Application Decision

WAEPA life insurance applicants who qualify for QuickDecision may receive an answer whether they qualify for the life insurance at the end of the application process. Applicants going through the standard process will be notified by email if approved or by regular mail if not approved.

### Guaranteed Issue WAEPA Life Insurance for New Federal Employees

WAEPA has an exclusive offer for newly hired federal employees. They can receive up to \$100,000 of life insurance coverage with WAEPA's Guaranteed Issue Group Term Life Insurance. A newly hired employee cannot be declined life insurance, and no medical exams are required. To be eligible, Civilian Federal Employees must:

- Be a U.S. citizen.
- Be younger than 70 years of age, and
- Apply within one year of a first-time non-military government hire.

## Additional Insurance Coverage with Policy Add-Ons

WAEPA offers additional benefits associated with a standard life insurance policy. These benefits are:

- **Chronic Illness Rider**

This rider allows the insured to collect 50 percent of the life insurance death benefit amount, up to a maximum of \$500,000, if the insured becomes permanently chronically ill. A chronic illness can be classified as a permanent sever cognitive impairment requiring substantial supervision. It is also defined

as the permanent inability to perform two of six Activities of Daily Living (ADLs): bathing, dressing, eating, toileting, transferring, and continence. The chronic illness rider can be added when first applying for WAEPA or if the existing WAEPA life insurance policyowner increases coverage and undergoes medical underwriting.

- **Automatic Benefit Increase Rider** – A federal employee’s life insurance needs may look different in

three, five or 10 years. An automatic benefit increase rider when added to a Group Term life insurance policy increases group term life insurance coverage by \$25,000 annually, for up to 10 years, for a maximum of \$250,000 of additional life insurance coverage. There is no additional medical underwriting required.

### Portability

A federal employee with WAEPA life insurance coverage can keep their WAEPA life insurance coverage if the employee retires from federal service or leaves federal service.

### WAEPA Life Insurance Backing

WAEPA is backed by New York Life Insurance Company. According to Third Party Rating Reports, as of 11/17/2023, New York Life has received the highest financial strength ratings currently awarded to any U.S. life insurer. Table 6 is a summary of those ratings:

**Table 6. WAEPA Ratings by Rating Sources**

Rating Source	Rating
A.M Best	A++
Fitch Ratings	AAA
Moody’s Investors Service	Aaa
Standard and Poor’s	A+

# Applying and Qualifying for FEGLI and WAEPA Life Insurance and Premium Cost

This chapter discusses how federal employees apply and qualify for FEGLI and WAEPA life insurance. Also presented are the initial premiums that employees pay for their FEGLI and WAEPA life insurance, and how the premium cost increases over time, including when a federal employee retires.

## FEGLI

Newly hired and rehired employees are automatically enrolled in the FEGLI Basic Life Insurance unless the employee formally waives coverage.

Within the first 60 days of hire or rehire, a federal employee can enroll in any or all of the three optional FEGLI insurances:

1. Option A – Standard
2. Option B – Additional
3. Option C – Family.

Both the FEGLI Basic Life Insurance and the Optional coverages (A, B, and C) are guaranteed issue. That means a newly hired or rehired employee is enrolled with no underwriting. An employee

need not prove that he or she is insurable. An employee who has any pre-existing health conditions that could deny them life insurance or pay more in premiums will not be rejected for FEGLI life insurance. This is true even if the employee could be denied coverage if they applied individually with a private insurance company.

## FEGLI Basic Insurance Premium Cost for Employees

Basic insurance covers an employee's life for an amount known as the employee's Basic Insurance Amount (BIA). To calculate the BIA:

1. Take the annual rate of basic pay, as shown on an employee's current year Standard Form 50
2. Round the salary in #1 up to the next even \$1,000
3. Add \$2,000

**Example 4.** James has a current SF 50 salary of \$122,300. Round up to \$123,000. Then add \$2,000. James' BIA is \$123,000 plus \$2,000, or \$125,000.

Employees pay 2/3 of the premium cost for BIA. The employee's agency pays the remaining 1/3 of the premium cost.

Premium cost for employees is equal to:

**\$0.16 per \$1,000 of life insurance coverage per pay date. With 26 pay dates per annum, the cost of BIA is 26 pay dates times \$0.16 per \$1,000 of coverage, or \$4.16 per \$1,000 of coverage per year (0.3467 per \$1,000 of coverage per month).**

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## FEGLI Basic Insurance Premium Cost for Employees *(continued)*

Returning to Example 4 with James, his current year BIA premium costs is:

$\$4.16 \times 125$  (\$125,000 of coverage) or \$520 per year.

Note the following with respect to the employee cost of the BIA:

As an employee's annual salary (as shown on the employee's current year Standard Form 50) increases, the cost of BIA insurance will increase. Salary increases include job promotions resulting in going to a higher General Schedule

(GS) level, within grade step increases, government-wide pay increases and locality pay adjustments. The following example illustrates:

### **Example 5**

Same facts as in Example 1. During the current year James gets a step increase resulting in his Standard Form 50, salary increasing from \$122,300 to \$126,750.

As a result of his salary increase, James BIA coverage is as follows:

Round up to  $\$127,000 + \$2,000 = \$129,000$  James' BIA

James BIA premium cost per pay date equals:

$\$0.16 \times 129$  (BIA is \$129,000) or \$20.64 per pay date

Before his step increase, James' BIA was \$125,000 and his BIA cost was  $\$0.16$  times 125, or \$20.00 per pay date.

## **Premium Cost of FEGLI Optional Insurances**

Employees have additional life insurance through FEGLI optional coverage – Option A – Standard; Option B – Multiple of Salary; and Option C – Family coverage. In order to enroll in any or all of these options, an employee must be enrolled in FEGLI. The cost of FEGLI optional insurance for employees is summarized in the following table. Note that employees pay the full premium cost for the three options with no federal government contributions. The premiums increase in five-year age bands. Table 7 summarizes the biweekly cost of the three FEGLI optional coverages.

## Premium Cost of FEGLI Optional Insurances *(continued)*

Rates can be found at [OPM's website](#)

**Table 7. Premium Cost for FEGLI Option A, Option B, and Optional Life Insurance Coverages**

Cost of Optional Coverage (Obtained on 10/1/2024, rates effective 10/1/2021)			
Age Group	Biweekly Cost by Option		
	A: Standard (\$10,000 coverage)	B: Additional Up to 5x annual basic pay (per \$1,000 of Coverage)	C: Family Coverage for Spouse and dependent Children* (for Each Multiple of Coverage)
Under 35	\$0.20	\$0.02	\$0.20
35 – 39	\$0.20	\$0.02	\$0.24
40 – 44	\$0.30	\$0.03	\$0.37
45 – 49	\$0.60	\$0.06	\$0.53
50 – 54	\$1.00	\$0.11	\$0.83
55 – 59	\$1.80	\$0.18	\$1.33
60 – 64	\$6.00	\$0.44	\$2.43
65 – 69	\$6.00	\$0.48	\$2.83
70 – 74	\$6.00	\$0.86	\$3.83
75 – 79	\$6.00	\$1.80	\$5.76
80 and over	\$6.00	\$2.88	\$7.80

**\*Dependent children under the age of 22.**

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## Premium Cost of FEGLI Optional Insurances *(continued)*

The following fictional examples illustrate the cost of the FEGLI optional coverages. Please note that these examples are for illustrative purposes only.

### Example 6

Julia, age 39, is a federal employee with a current Standard Form 50 salary of \$134,780. Julie has FEGLI BIA Option A and Option B – three times her salary as adjusted. Julie's total FEGLI insurance premium cost is summarized as follows:

1. **FEGLI BIA:** Julie's BIA is \$134,780 rounded to \$135,000, add \$2,000 equals \$137,000.  
**BIA premium cost (annual)** =  $\$4.16 \times 137 = \$569.92$
2. **FEGLI Option A:** 26 pay dates x \$0.20/pay date = \$5.20
3. **FEGLI Option B:** \$134,780 rounded to \$135,000  
 $3 \times \$135,000 = \$405,000$   
 $\$0.02/\$1,000$  of coverage x 405 = \$8.10  
**Julie's annual FEGLI premium cost equals:**  
 $\$569.92 + \$5.20 + \$8.10 = \$583.22$

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### Example 7

Carlos, age 45, is a federal employee with a current Standard Form 50 salary of \$147,200. Carlos has Option A, Option B – five times his salary and Option C – 5 multiples on his wife and 5 multiples on each of his three children, ages 15, 10 and 5. Carlos' total FEGLI premium insurance cost is summarized as follows:

1. **FEGLI BIA:** Carlos' BIA is \$147,200 rounded up to \$148,000, add \$2,000 equals \$150,000.  
**BIA premium cost (annual)** =  $\$4.16 \times 150 = \$624.00$
2. **FEGLI Option A:** 26 pay dates x \$0.60/pay date = \$15.60
3. **FEGLI Option B:** \$147,200 rounded to \$148,000  
 $5 \times \$148,000 = \$740,000$   
 $\$0.06/\$1,000$  of coverage x 740 = \$44.40
4. **FEGLI Option C:** Total of 20 multiples [5 on spouse + (5 on each child x 3)] x \$0.53/multiple = \$10.60  
**Carlos' annual premium cost equals:**  
 $\$624.00 + \$15.60 + \$44.40 + \$10.60 = \$694.60$

---

### Note the following for Julie and Carlos:

1. If Julie's and Carlos' Standard Form 50 salary increases within the year, their cost of FEGLI BIA will increase per pay date for the rest of the year, or until there is another pay increase.
2. Julie (age 39) is in the last year of her age band (age 35-39). In the next year, when Julie becomes age 40, her premium cost for Option A and Option B will increase from \$0.20 per pay date to \$0.30 per pay date for Option A. Option B will increase from \$0.02 per \$1,000 of coverage each pay date to \$0.03 per \$1,000 of coverage each pay date.

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## When Does FEGLI Life Insurance Coverage End?

FEGLI life insurance will continue provided the insured employee pays the premiums and does not terminate life insurance coverage. If a federal employee leaves federal service, the departing employee will

automatically lose FEGLI life insurance coverage. The employee has the option of keeping some or all of their FEGLI life insurance coverage in retirement. This will be discussed in Chapter 7.

To help federal employees determine the premium cost of their FEGLI life insurance coverage, there is a FEGLI Calculator located at: [opm.gov/retirement-center/calculators/fegli-calculator](https://www.opm.gov/retirement-center/calculators/fegli-calculator)

## WAEPA

WAEPA life insurance coverage is available to current and former Civilian Federal Employees. This includes both non-appropriated fund (NAF) employees and US Postal Service employees. At the time they apply for WAEPA life insurance, individuals must be younger than age 70.

WAEPA life insurance is a group life insurance program, the same as FEGLI which is a group life insurance program

in which the sponsor is the federal government, and the program is managed by Metropolitan Life Insurance Company. Only current and retired federal employees are eligible to be enrolled in the FEGLI program. A current or former federal employee is eligible to apply for WAEPA life insurance. To do so, they must join WAEPA as a member.

Employees and former employees eligible to apply for

WAEPA life insurance can apply for up to \$1.5 million in life insurance coverage, regardless of their current salary. Eligible spouses of WAEPA members are welcome to apply as an associate (spouse) member and can receive up to \$1.5 million in life insurance coverage on their own policy. Spouses and children are also eligible for dependent coverage, up to \$500,000 and \$25,000, respectively.

### Applying for WAEPA Life Insurance

Once an employee or former employee determines how much life insurance coverage they need, it is a simple application process to get approved for a WAEPA life insurance policy. Application for WAEPA life insurance can be made at [waepa.nylinnsure.com](https://www.waepa.nylinnsure.com). Applicants under 50 years old are applying for up to \$1 million of coverage and applicants under 60 applying for up to \$750,000 may qualify for QuickDecision and receive a decision on their life insurance application in minutes. The standard application process can take four to six weeks.

Note that WAEPA life insurance is not guaranteed issue. This is unlike many group-sponsored life insurance policies, including FEGLI life insurance.

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## Guaranteed Issue for New Federal Employees with WAEPA

When a newly hired federal employee applies for Guaranteed Issue Group Term Life Insurance through WAEPA, the employee cannot be turned down for coverage and no medical exams are required. To be eligible a civilian federal employee must:

- Be a U.S. citizen
  - Be younger than 70 years of age
  - Apply within one year of a first time, non-military government hire
- Those employees who meet these conditions qualify for

\$25,000 to \$100,000 in life insurance coverage. Those employees who moved from one federal government position to another, or an active member of the United States military are not eligible.

## WAEPA Life Insurance Premium Cost

Several factors determine WAEPA life insurance premiums. The first factor is an applicant's age. This is because the applicant's life insurance becomes more expensive as the applicant gets older.

The life insurance premium also depends on the size of both the death benefit and the number of the applicant's dependents. The premium amount also depends on the lifestyle of the applicant's dependent are accustomed to and what costs they will have to take on upon the death of the applicant.

WAEPA life insurance applicants can find out how much they will pay in the initial year of their life insurance policy by going to: [waepa.org/resources/calculators/premium-calculator](https://waepa.org/resources/calculators/premium-calculator).

WAEPA life insurance premium rates are set to change every five years. WAEPA calls this the "age band." Premiums increase every time the insured reaches a new five-year age band. Once the age band is reached, the premium rate increases, and the insured pays the same annual premium for the next five years.

Individuals who want to learn more about the premium cost of WAEPA life insurance should visit: [waepa.org/rates](https://waepa.org/rates).

Federal employees are advised to visit: [waepa.org/membership/waepa-vs-fegli](https://waepa.org/membership/waepa-vs-fegli) for a comparison of WAEPA life insurance premium rates versus FEGLI life insurance premium rates.

### Duration of WAEPA Life Insurance

Provided a WAEPA life insurance policyowner continues to pay the premiums, WAEPA life insurance coverage will continue until the insured turns 85 years old. This is not true when a federal employee leaves federal service or retires from federal service. Note that this is not the case with FEGLI life insurance. When a federal employee leaves federal service, the departed employee loses FEGLI life insurance coverage. A federal employee who does not meet the five-year FEGLI continuous coverage requirement before retiring from federal service will not be able to retain FEGLI life insurance coverage in retirement.

## Duration of WAEPA Life Insurance *(continued)*

**Table 8. Comparison of FEGLI Versus WAEPA with Respect to Eligibility, Underwriting Coverage, Premium Cost, Premium Refund program, and additional Accident Benefits**

	FEGLI	WAEPA
Eligibility	Permanent federal employees	WAEPA members includes current and former federal employees, NAF employees and Postal Service – current and former employees under age 70
Underwriting	None – guaranteed issue	Yes. Applicants' health records will be reviewed. Only newly hired federal employees with first year of hire date can apply for up to \$100,000 life insurance with guaranteed issue
Coverage	Based on Annual Salary Maximum spouse coverage - \$25,000 Maximum children's coverage - \$12,500	Maximum coverage is \$1.5 million. Maximum spouse coverage - \$500,000 Maximum children's coverage - \$25,000
Premium Cost	Increases as employee's salary increases. Optional insurances increase every 5 years	Based on age, the amount of insurance and number of dependents. Premiums increase at least every 3 to 5 years
Premium Refund Program	No	Yes
Additional Accident Benefits	Yes	Yes

# FEGLI and WAEPA Life Insurance Options for Federal Retirees

Federal employees who are enrolled in the FEGLI program may have to retain their FEGLI life insurance when they retire from federal service. Those federal employees who are enrolled in WAEPA life insurance, (in addition to being enrolled in the FEGLI program) may have to retain their WAEPA life insurance when they retire from federal service. The question is: What are the requirements for a federal employee to retain FEGLI and WAEPA life insurance when the employee retires from federal service? The requirements for both the WAEPA and the FEGLI programs are discussed.

## WAEPA Life Insurance in Retirement

Federal employees who apply for and qualify for WAEPA life insurance keep their WAEPA life insurance until their 85th birthday, provided they keep paying their premiums. Once they stop paying the premiums, WAEPA life insurance coverage ceases.

When a federal employee with WAEPA life insurance retires from federal service, the retired employee keeps the WAEPA life insurance coverage with no decrease in coverage. In terms of premium cost, as discussed in Chapter 6, WAEPA insurance premiums increase every five years. This is true when the WAEPA life insurance policy owner is a federal employee and when they are a federal retiree.

## FEGLI BIA Life Insurance in Retirement

When a federal employee enrolled in the FEGLI “Basic” life insurance (Basic Insurance Amount or BIA), the retiring employee can retain BIA coverage on the day they retire if the retiring employee meets all of the following requirements:

- The employee is entitled to retire on an immediate annuity under a retirement system for civilian employees. This includes an “MRA + 10” and an “MRA +20” immediate retirement

- The employee has been insured continuously for the five years of service ending on the retired employee’s retirement date
- The employee is enrolled in FEGLI on the day they retire
- The employee did not convert their FEGLI life insurance coverage to an individual whole life insurance policy

For FEGLI purposes, the employee must retire under a

civilian retirement system for federal or District of Columbia government employees. Civilian retirement systems include, but are not limited, to the following:

1. Civil Service Retirement System (CSRS)
2. Federal Employees Retirement System (FERS)
3. Board of Governors of the Federal Reserve System
4. Foreign Service Retirement System

## FEGLI BIA Life Insurance in Retirement *(continued)*

- |  |   |  |
|--|---|--|
| 5. Foreign Service Pension System      | 8. Non-Appropriated Funds Retirement System | 10. National Oceanic and Atmospheric Administration System |
| 6. CIA Retirement System               | 9. U.S. Tax Courts Judges Retirement System |  |
| 7. Federal Judiciary Retirement System |   |  |

## Amount of FEGLI Life Insurance During Retirement

A federal employee who meets the requirements to keep their FEGLI life insurance in retirement can keep the following amounts of FEGLI insurance

during retirement. Table 9 presents the types and amounts of FEGLI life insurance available to a retiring federal employee.

**Table 9. Types and amounts of FEGLI life insurance available to a retiring federal employee.**

Type of FEGLI Insurance	Amount During Retirement
Basic Insurance Amount (BIA)	Amount on the date of separation for retirement
Option A (Standard)	\$10,000
Option B (Multiple of Salary)	Number of multiples (1,2,3,4 or 5) that meet the “5-year continuous coverage” requirement.
Option C (Family)	Number of multiples (1,2,3,4 or 5) that meet the “5-year continuous coverage” requirement.

## Retiring Employee Election for FEGLI BIA Life Insurance

Federal employees who are eligible to continue their BIA in retirement must complete **Standard Form 2818 (Continuation of Life Insurance Coverage as an Annuitant or Compensation)**. On **Standard Form 2818** a retiring employee chooses if they want to continue BIA into retirement. If they choose to

continue BIA into retirement, they must elect the amount of BIA they want to keep after age 65 (or later if they retire after age 65). The choices are a 75 percent reduction, a 50 percent reduction, or no reduction.

**Note the following:**

1. A retiring employee who does not want to continue

BIA insurance into retirement must indicate this on **Standard Form 2818**

2. If a retiring employee chooses not to continue BIA insurance in retirement, then the retiring employee cannot retain any of the Optional Insurances (A, B, or C) into retirement.

## Retiring Employee Election for FEGLI BIA Life Insurance *(continued)*

**Table 10. FEGLI BIA Insurance Elections for Retirement**

<b>Election</b>	<b>Amount of BIA Insurance During Retirement</b>
No Reduction	BIA on the day of separation from federal service
75 Percent Reduction	At age 65 (or the month after retirement, if retiring after 65) BIA begins to reduce 2 percent per month to a minimum of 25 percent of BIA on day of retirement
50 Percent Reduction	At age 65 (or month after retirement, if retiring after age 65) BIA begins to reduce by 1 percent per month until it reaches 50 percent of BIA on the day of retirement

Table 11 summarizes the cost for FEGLI BIA insurance in retirement according to the election chosen by the retiring employee via SF 2818.

**Table 11. Cost for each \$1,000 of the BIA in effect on the employee's retirement date\***

<b>Election</b>	<b>No Reduction</b>	<b>75% Reduction</b>	<b>50% Reduction</b>
Until age 65, or the month the employee retires, if retiring after 65	\$2.5967 monthly	\$0.3467 monthly	\$1.0967 monthly
Starting the month after 65th birthday, or the month the employee retires, if retiring after age 65	\$2.25 monthly	Free	\$0.75 monthly

\*Cost effective October 1, 2021.

## Retiring Employee Election for FEGLI Optional Coverage

### Option A - Standard

The amount of Option A (equal to \$10,000) automatically reduces when the retired employee reaches age 65 (or when they retire, if retiring after age 65). There is no election to be made.

Option A coverage reduces by 2 percent (\$200) each month until the amount has been reduced by 75 percent. Only 25 percent of the original amount (\$2,500) is payable as a death benefit once the full reduction has been reached.

### Options B and C

A retiring employee who is eligible to keep FEGLI Options B and C will be given the opportunity to make an election regarding post-age 65 reductions for Options B and C. At the time of retirement, the retiring employee must:

- Elect how many Option B and Option C multiples the retiring

employee has and wishes to continue into retirement.

- Choose whether to have all of those multiples reduce (“Full Reduction”) or none of them (“No Reduction”) at the later of when the retired employee reaches age 65 or at the time of retirement. The retiring employee can also elect “Full Reduction” for some multiples and “No Reduction” for other multiples.
- In case fewer multiples are chosen to continue in retirement than are eligible to be continued, then this choice must be indicated on **Standard Form 2818**.
- The same choice for “Full Reduction” or “No Reduction” does not have to be made for Option B and Option C. “Full Reduction” can be chosen for one option and “No Reduction” can be chosen for the other option.

- If no election is made on **Standard Form 2818**, then the retired employee will automatically continue all multiples the employee is eligible to keep in retirement and will get “Full Reduction” for all multiples; and
- If a retiring employee chooses “Full Reduction” the value of each multiple of Option B and/or Option C reduces by 2 percent of the original amount each month until it has been reduced by 100 percent (a total of 50 months). The insurance stops at 12:00 p.m. on the day before the 50th 2 percent reduction. After that, no death benefits are payable upon the retiree’s death for Option B and on a family member’s death, for Option C. With “Full Reduction” there is no premium cost once the 2 percent reduction starts.

## Changes to FEGLI Life Insurance During Retirement

A retired employee with FEGLI life insurance can make certain changes to the insurance. They can reduce their BIA insurance and Option B and Option C coverages. Permitted changes for BIA insurance are summarized in Table 12.

**Table 12. Changes to BIA Coverage During Retirement.**

You can change Basic Insurance from	To 75% Reduction	To 50% Reduction	To No Reduction
75% Reduction	Not applicable	No	No
50% Reduction	Yes	N/A	No
No Reduction	Yes - unless you elected a partial living benefit	No	N/A

## Changes to FEGLI Life Insurance During Retirement *(continued)*

Permitted changes by federal retirees for Option B and Option C are summarized in Table 13.

**Table 13. Permitted changes by Federal Retirees to Option B and Option C Coverage**

Can change from	Option B	Option C
	You	You
Full reduction to No Reduction – if you are under-age 65	Yes	Yes
Full Reduction to No Reduction – if you are 65 or older	No	No
No Reduction to Full Reduction – if you are under-age 65	Yes, unless you assigned your insurance	Yes
No Reduction to Full Reduction – if you are age 65 or older	Yes, unless you assigned your insurance	Yes

# Other Features Associated with FEGLI and WAEPA Life Insurance Policies

The primary feature of a term life insurance policy, whether it is an individual term life insurance policy or a group-term life insurance policy (such as FEGLI and WAEPA) is the death benefit paid to a named beneficiary upon the death of the life insurance policyowner (the insured). Most term life insurance policies have additional features that can benefit the insured/policyowner. These added features are discussed in this chapter. At the end of the chapter is a table presenting which of these features are included in FEGLI and WAEPA life insurance policies.

The additional features are:

1. Accidental Death and Dismemberment (AD&D)
2. Assignment
3. Conversion
4. Living Benefits
5. Waiver of premium
6. Incontestability

## Accidental Death and Dismemberment

Accidental death and dismemberment (AD&D) insurance provides additional death benefits in the event the insured dies in an accidental manner that also results in the loss of a limb or eyesight. For the additional benefits to be paid, the death

and loss of limb or eyesight must occur within 90 days after the accident and be a direct result of bodily injury sustained from that accident, independent of all other causes.

## FEGLI AD&D

Under the FEGLI BIA life insurance, AD&D is equal to the insured's BIA, without the extra benefit for employees under age 45. Exclusions do apply. Under Option A (standard) AD&D benefit is equal

to the \$10,000 Option A life insurance coverage. There is no AD&D benefit for Option B (Multiple of Salary) or Option C (Family Coverage). There are also no AD&D benefits for federal retirees.

## WAEPA AD&D

WAEPA offers AD&D benefits for newly hired employees. In the event an insured WAEPA policyholder dies as a result of an accident, an additional benefit will be payable to the policyholder's beneficiary(s). Exclusions do apply.

In the event an insured policyholder loses use of a specific body part or body parts (dismemberment) as a result of an accident, an additional benefit will be payable to the policyholder's beneficiary(s).

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## Assignment

An assignment is the transfer of ownership of a life insurance policy from the policy owner to another individual. The original policy owner (the “assignor”) is still the insured person. However, the “assignor” no longer owns the life insurance policy but still continues to pay the life insurance policy premiums.

The question becomes: Why would a life policy owner want to assign their life insurance policy? The following are some possible reasons:

- To comply with a court order. The policy owner may

assign the life insurance policy 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 beneficiary(s) of the life insurance policy.

- For inheritance tax purposes. Provisions of the Internal Revenue Code and state laws may give certain advantages when a life insurance policy has been assigned.
- To obtain cash when the policyowner dies. The policy owner may assign their life insurance policy to a

viatical settlement company. Under this arrangement, the policyowner would assign all or part of the life insurance company and that company will pay cash in exchange for ownership of the life insurance policy.

- To pay off debts. A life insurance policy owner may want to assign their policy to pay off a debt. However, the policy owner cannot cancel the assignment and the debt is paid.

## Assignment Under FEGLI

A federal employee or federal annuitant enrolled in FEGLI can make an assignment by completing OPM **Form RI 76-10 (Assignment Federal Employees Group Life Insurance)**. Form RI 76-10 must be signed by two witnesses. An assignee cannot be a witness to the signing of the assignment.

FEGLI BIA Option A and Option B may be assigned. The assignment must specify percentages or fractions of the insurance to go to each assignee. The percentages must total 100 percent. No contingent assignees can be named.

After assignment, a federal employee continues to pay the premiums. These premiums will be withheld from the employee’s salary and the annuitant’s monthly annuity check. The assignee cannot pay the premium.

### Tax Implications of Assignments

A federal employee or annuitant who is considering an assignment of his or her FEGLI life insurance should consult a tax attorney before assigning his or her life insurance.

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## Assignments Under WAEPA

Under WAEPA, there are no provisions that permit a life insurance policy to be assigned.

### Conversion Privilege

A life insurance conversion option feature included in some term-life policies provides the option for the policyowner to change their term life insurance into a permanent life insurance policy.

### FEGLI Conversion Privilege

When a FEGLI program policyholder loses FEGLI life insurance through termination, the policyholder may be entitled to convert their BIA

Option A and Option B term-life insurance into a whole life insurance policy.

There is no conversion privilege if the FEGLI policyholder:

- Cancels their FEGLI life insurance, or
- Loses FEGLI life insurance because the policy owner's salary or annuity is terminated.

If the FEGLI program policyholder assigned their life insurance, then it is the assignee, not the policyholder, who is able to convert BIA Option A and Option B coverage.

When FEGLI life insurance terminates, the policy owner's employing agency must give the policy owner a , Standard Form SF 2819 (Notice of Conversion Privilege). A policy owner who wishes to convert must send Standard form 2819 to the Office of Federal Employees Group Life Insurance (OFEGLI) within the 31-day time limit.

### WAEPA Conversion Privilege

WAEPA does have a conversion option that is always available when coverage either reduces or terminates, however it's not widely utilized.

## Living Benefits

A living benefits rider is a life insurance policy add-on that allows the policyowner, or the policy beneficiaries, to access the death benefit of a life insurance policy while the policyowner is still alive. Living benefits insurance may be offered as its own policy or as a rider that the policyowner can add to a whole life or term life insurance policy. Some life insurance companies refer to these add-ons as an accelerated death benefit rider.

The qualifying circumstances under which a policyowner can access their accelerated death benefit will vary based on the rider that is purchased. Or it is provided as part of the insurance policy. Some of the most common living benefit options that may allow the

policyowner to access the death benefit include the following:

- **Terminal illness** – Terminal illness living benefits insurance gives the policyowner death benefits if the policyowner is diagnosed with an illness that has an anticipated life expectancy of six months to two years., depending on the insurance policy.
- **Chronic illness** – Chronic illness riders let the policyowner use the death benefit if the policyowner is diagnosed with a recurring illness that significantly impairs at least two of the six activities of daily living (ADLs). ADLs include eating, dressing, bathing, toileting, transferring and continence. The policy owner can use

the chronic illness rider to cover the cost of in-home care and gain more quality of life.

- **Critical illness** – A critical illness rider takes effect when the policyowner suffers a sudden life-threatening illness such as a heart attack or stroke.

If a policyowner is allowed to tap into their death benefits, the death benefits are paid in a lump-sum and are income tax-free. The policyowner may be able to receive the entire death benefit or only a percentage of it. It all depends on medical bills or other care detailed in the life insurance policy.

These are life insurance benefits that also gives you the option to accelerate some of

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## Living Benefits *(continued)*

the death benefit in the event that you are certified with a chronic illness as described in the certificate.

### **FEGLI Living Benefits**

The FEGLI program offers a free “living benefit” option. It is not a rider on the insurance and at no cost to the policy owner. An employee or an annuitant is eligible to elect a living benefit in the form of an accelerated death benefit (terminal illness rider). A FEGLI program policyowner who has been diagnosed as terminally ill with a life expectancy of nine months or less can qualify.

A FEGLI program policyowner cannot apply in advance for the accelerated death benefit. Their policyowner must be terminally

ill at the time of application. The policyowner who has assigned their life insurance cannot apply for accelerated death benefit. Only the BIA is available for payment as a living benefit. Optional insurance cannot be paid as a living benefit.

A FEGLI program policyowner can elect living benefits only once. If the policyowner elects a full living benefit, then the policyowner has no BIA left. If the policyowner elects a partial living benefit then the policyowner cannot later elect another living benefit from the remaining BIA.

### **WAEPA Living Benefits**

WAEPA offers a Chronic Illness Rider to the WAEPA policyowner.

A WAEPA life insurance policyowner who applies for the Chronic Illness Rider to their insurance policy will allow the policyowner to collect 50 percent of their Group Term Life Insurance benefit amount, up to a maximum of \$500,000 if the policyowner becomes permanently chronically ill.

The WAEPA Chronic Illness Rider can be added when an individual first applies for new Group Term Life Insurance. It also can be applied for at the time a WAEPA policyowner increases coverage and undergoes medical underwriting.

## **Waiver of Premium Rider**

A waiver of premium rider in a life insurance policy is a clause that waives insurance premiums if the policyholder becomes critically ill, seriously injured or physically impaired. Other stipulations may apply, such as meeting specific health and age requirements.

### **Note the following:**

1. A waiver of premium rider is added to a life insurance policy for an additional fee
2. A policy owner cannot get a waiver of premium rider if the policyowner is physically impaired or has a pre-existing condition.

### **FEGLI Waiver of Premium Rider**

FEGLI does not offer a waiver of premium rider.

### **WAEPA Waiver of Premium Rider**

WAEPA does not offer a waiver of premium rider.

## Incontestability

An incontestability clause in a life insurance policy prevents the insurer from voiding life insurance coverage due to a misstatement by the insured after a specific amount of time has passed. A typical incontestability clause specifies that a contract will not be voidable after two or three years due to a misstatement.

Incontestability clauses help protect insured individuals from companies who may try to avoid paying benefits in the event of a claim. While an incontestability clause benefits the insured, it cannot protect against outright fraud.

Three common exceptions to the incontestability clause:

- In most states, if the insured misstates age or gender when applying for

the life insurance, then the insurance company may not void the policy, but it can adjust death benefits to reflect the policyholder's true age or gender.

- Some states allow insurance companies to include a provision stating that a one- or two-year incontestability period must be completed within the lifetime of the insured.
- Some states also allow the insurer to void a policy if deliberate fraud is proven.

### FEGLI Incontestability

The FEGLI program allows erroneous life insurance coverage to remain in effect under certain conditions:

- Erroneous coverage was in effect for at least two

years before the error was discovered.

- The FEGLI program policyowner paid the applicable premiums for the erroneous coverage while it was in effect.
- The FEGLI program policyowner is an employee or a new retiring employee.
- The error is discovered after October 30, 1998.

### WAEPA Incontestability

There is no incontestability clause available for WAEPA life insurance policyholders.

The following table summarizes the additional features that are and are not available with FEGLI and WAEPA life insurance policies.

Feature	FEGLI	WAEPA
Accidental Death and Dismemberment (AD&D)	Yes	For newly hired federal employees
Assignment	Yes	No
Conversion Privilege	Yes	No
Living Benefits	Yes (Accelerated Death Benefit)	Yes (Chronic Illness Rider)
Waiver of Premium Rider	No	No
Incontestability	Yes	No

# FEGLI and WAEPA Claim for Death Benefits

When a life insurance policyholder dies, someone (family member, personal representative, or executor of the estate or the deceased's estate attorney), has to notify the insurance company of the death of the policyholder. In order for the named beneficiary(s) to receive the life insurance policy death benefit, a life insurance claim has to be filed with the life insurance company. A designated individual will file a claim form in order for the death benefit to be paid. The claim process for FEGLI and WAEPA is presented in this chapter.

## FEGLI Claim for Death Benefits

When a FEGLI program policy owner – a federal employee or a federal annuitant - dies, a family member, or the personal representative, the executor of the state, must fill out and submit **Form FE-6 (Claim for Death Benefits)**. If a claim is being filed to report the death of a dependent (spouse, or a child under the age of 22), then **Form FE-6 DEP** is filled out and submitted.

The claimant should provide all of the information requested on **Form FE-6** and/or **Form FE-6 DEP**. Any questions or assistance in filling out these forms should be directed to the Office of FEGLI (OFEGLI) at **1-800-633-4542**. Overseas

beneficiaries should call **1-212-578-2975**.

The following items should be included with **Form FE-6**:

1. Certified Death Certificate. The OFEGLI requires a certified copy of the death certificate with the cause and manner of death. Only one death certificate is required.
2. If the claimant signed a document with a funeral home that authorizes the OFEGLI to make a payment directly to the funeral home – a copy of that document needs to be submitted.
3. If the insured was an active employee and died in an accident and the claimant is making an accidental death benefit claim, proof of the accident, including police reports and other supporting documents must be submitted.
4. If the claimant is filing this claim on behalf of the estate, a copy of the appointment papers issued by the court must be submitted.
5. If a trust is designated as the beneficiary, a statement that the trust is still in effect and the claimant is authorized to act under the trust must be submitted.
6. If the claimant has Power of Attorney, a copy of the

appointment naming the claimant as the attorney-in-fact for the beneficiary must be submitted.

## Who Receives the FEGLI Life Insurance Proceeds?

The statutes provide that the FEGLI life insurance proceeds will be paid in the following manner:

If the FEGLI life insurance policyowner did not assign ownership and there is no valid court order on file with the policyowner's employing agency, or the Office of Personnel Management (OPM), if retired, then OFEGLI will pay:

- **First** – to the beneficiary(s) the policyowner validly designated.
- **Second** – if none, to the policyowner's widow/widower.
- **Third** – if none, to the policyowner's child or children and descendants of any deceased children.
- **Fourth** - if none, to the policyowner's – in equal shares or the entire amount – to the surviving parent(s).
- **Fifth** – if none, to the court-appointed executor or administrator of the policyowner's estate, or

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## FEGLI and WAEPA Claim for Death Benefits *(continued)*

- **Sixth** – if none, to the court-appointed executor or administrator of the policyowner’s estate.

If the policy owner did not assign ownership and there is a valid court order on file with the agency or OPM, as appropriate, OFEGLI will pay benefits according to the court order.

### Delivery of FEGLI Life Insurance Proceeds

A claimant has the following options for the beneficiary(s) to receive the FEGLI life insurance proceeds :

1. A Total Control Account in the name of the Claimant. This option may be selected

if death proceeds are \$5,000 or greater

2. A check that is mailed to the claimant

More information about the Total Control Account can be viewed below.

### Claim for Death Benefits

Federal Employees’ Group Life Insurance Program

## About the Total Control Account

A convenient place for you to hold the proceeds from your claim while you decide what to do with the money.

### How the account works

The Total Control Account (TCA) is a draft account that works like a checking account:

- When your account is open, MetLife<sup>1</sup> will send you a package which includes additional details about the TCA. We pay the full amount owed to you by placing your proceeds into the TCA and providing you a book of drafts. You can use the drafts like you would use checks.
- **You can use a single draft to access the entire proceeds** or you may write several drafts for smaller amounts (minimum amount \$250). There are no limits on the number of drafts you may write, up to the full available balance in your account. Processing time is similar to check processing. If there is no activity on your account for a period of time (*typically three years, but this may vary by state*), state regulations may require that we contact you at the address we have on file. If we aren’t able to reach you, we may be required to close your account and transfer the funds to the state.
- You **earn interest** on the money in your account from the date your account is open.
- We’ll send you an account statement each month when there is activity in your account. If you have no activity, we’ll send you a statement once every three months.
- You can name a beneficiary for your account. We’ll include a beneficiary form in the package we send you when we open your account.

### Interest rates and guarantees

The interest rate on your account is set weekly, and will never fall below the minimum guaranteed rate stated in your TCA package, or the rate established by one of the following indices: the prior week’s Money Fund Report Averages™/Government 7-Day Simple Yield, or the Bank Rate Monitor™ National Money Market Index. We calculate interest daily and compound it, so you earn interest on your interest. The interest is added to your account monthly. The interest earnings generally are taxable so you should speak with your tax advisor. MetLife will report all interest payments to the Internal Revenue Service (IRS).

### No monthly maintenance fees

There are no monthly maintenance or service fees on your TCA, no charges for making withdrawals or writing drafts, and no cost for ordering additional drafts. You may be charged for special services or an overdrawn TCA, and the current fees (*subject to change*) for those are: draft copy \$2; stop payment \$10; wire transfer \$10; overdrawn TCA \$15; overnight delivery service \$25.

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## FEGLI and WAEPA Claim for Death Benefits *(continued)*

### Submission of the Claims for Death Benefits Claim Form

#### From FE-6 (Claim for Death Benefits)

and the necessary documents should be mailed to:

OFEGLI  
P.O. Box 6080  
Scranton, PA 18505-6080

#### Overnight address:

OFEGLI  
10 E.D Preate Drive  
Moasic, PA 18507

## WAEPA Claim for Death Benefits

Upon the death of a WAEPA life insurance policyholder, a family member, or the personal representative, executor of the estate, or estate attorney, must file a Death Claim Form. New York Life Insurance Company underwrites WAEPA and processes the Death Claim Form. A Death Claim Form must completely fill out and sent to New York Life Insurance Company from each beneficiary. Each beneficiary has to send in a death certificate and any other documents that New York Life Insurance Company may request. No original documents will be returned.

The following information will be needed to complete a Death Claim Form:

1. Group Certification Information This can be found on the policyowner's, the insured's Group Term Life Insurance certificate
2. Deceased Information. This includes date of death and manner of death
3. Beneficiary Information. This includes a beneficiary's Social Security Number or Tax Identification Number

4. Certified Death Certificate  
A completed Death Claim Form can be submitted through WAEPA's Member Portal. The Death Claim Form can be emailed to **claims@waepa.org**, or mailed to WAEPA headquarters at:

**433 Park Avenue  
Falls Church, VA 22046**

### Post-Death Claim Filing Submission

Once the Death Claim Form is submitted and received, New York Life Insurance Company will process the beneficiary's death benefit as quickly as possible. A beneficiary claimant can expect to receive their benefit 10 business days after New York Life Insurance Company receives the Death Claim Form, the Death Certificate and other documents.

Any claimant who needs assistance with the process should contact WAEPA at **(800) 368-3484** or email WAEPA at **claims@waepa.org**. Claimants should not forward Death Benefit Claim forms to New York Life Insurance Company. This may cause a delay in paying the claim.

# Tax Treatment of FEGLI and WAEPA Life Insurance

The general rule is that premium payments for life insurance policies are not deductible for income tax purposes. This rule commonly applies regardless of who owns the life insurance policy, or whether the policy is owned for personal or for business purposes.

Life insurance premiums paid are not tax deductible whether the life insurance policy is an individual life insurance policy or a group life insurance policy, such as the FEGLI program or the WAEPA program.

With respect to employer-sponsored life insurance, such as FEGLI, an employer can provide their employees with up to \$50,000 of group term insurance, without any tax consequences. The employer is providing its employee a benefit in which the employer pays a portion of the employee's life insurance premium. As discussed in Chapter 4, federal employees enrolled in FEGLI BIA pay two-thirds of the premium cost. The employee's agency pays the other one-third of the BIA premium cost. For the amount of the employee's

BIA coverage that exceeds \$50,000 in which the employee pays two-thirds of the premium and the employee's agency pays the other one-third, the agency paid premium is taxable income to the employee. The amount of the taxable income will appear on the employee's annual W-2 statement. In particular, in Box 12 there is a Code C (Cost of Employer-Sponsored Life Insurance) with a dollar amount. That dollar amount is added to the employee's taxable wages shown in Box 1 of the W-2 (Taxable Wages).

## Taxation of Life Insurance Proceeds

In general, proceeds paid under a life insurance contract by reason of the policyowner's (the insured's) death or excludable from gross income for federal income tax purposes. The basic requirement for the income tax exclusion for life insurance proceeds is that they will be paid by reason of the death of the policyowner (the insured). For permanent (cash-value) life insurance policies, there are premium guidelines with respect to how much an individual can contribute more in order to build-up cash value. Since these guidelines do not apply to individual and group-term life insurance policies (FEGLI and WAEPA), they are not discussed here.

## When Is a Term-Life Insurance Benefit Taxable?

Death proceeds of life insurance may be paid out in a lump-sum or in a series of payments under a settlement option. Payments under a settlement option include an

element of interest earned, which is taxable. However, the principal portion of a settlement option payment still qualifies for the income tax exclusion. Common settlement options

include the installment option, the life income option, the fixed amount option, and the interest only option. The amount of each payment under a settlement option that

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## When Is a Term-Life Insurance Benefit Taxable? *(continued)*

represents interest on the life insurance proceeds (the death benefit) is taxable.

As discussed in Chapter 9, there is one settlement option for WAEPA beneficiaries. That settlement option is a lump-sum distribution of the death benefit that is entitled to the

beneficiary. No interest is paid as part of the lump-sum payment. Therefore, the lump-sum distribution is income-tax free to the beneficiary.

With respect to FEGLI life insurance, in Chapter 9 the option of the Total Control Account was presented. The

Total Control Account option of the FEGLI program beneficiary allows the beneficiary to receive installment payments of the inherited FEGLI death proceeds. Included in the death proceed installment payments is interest which is fully taxable to the beneficiary.

### Life Insurance Policy Dividends

Life insurance policy premium dividends are treated as a nontaxable return of premium previously paid. Since the premiums were paid with after-taxed dollars, the dividends paid are therefore not taxable to the policy owner.

The FEGLI program does not have a dividend program for FEGLI policy owners. WAEPA does have a premium refund program.

## Accelerated Death Benefit and Living Benefits

Since the passage of the Health Insurance Portability Accounting Act of 1996, life insurance policyowners who qualify for an accelerated death benefit (due to having a terminal disease) or a chronic illness benefit (due to being chronically ill) are subject to income tax when they withdraw a portion or all of their death benefit.

For FEGLI policy owners, this means that the accelerated

death benefit is not taxable, should the policyowner need access to their FEGLI insurance, BIA Option A and Option B, if they are diagnosed with a terminal disease.

For WAEPA policy owners, this means that the chronic illness benefit is not taxable should the policyowner need to access it if they are diagnosed with a chronic illness.

Receipt of an accelerated death benefit may affect eligibility for Medicaid or

other government benefits or entitlements and may have income tax consequences. Accelerating benefits before applying for these programs, or while you are receiving government benefits, may affect your initial or continued eligibility. Clients can contact the appropriate social service agency (e.g., the Medicaid Unit of your local Department of Public Welfare or the Social Security Administration Office) for more information.

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## Life Insurance and Estate Taxes *(continued)*

There is a federal estate tax in which the federal government has the right of taxing a deceased's estate if the value of the estate exceeds a certain amount. This specific amount is called the federal estate tax exemption which increases in most years. For 2024, the federal tax exemption is \$13.61 million per individual and \$27.22 million for a married couple. In addition, there are 12 states and the District of Columbia that have their own state estate taxes.

As mentioned, an estate tax is imposed on the value of the deceased's estate as of the date of death. Included in the deceased's estate is what the deceased owner had at the time of death. These assets are:

1. Bank and brokerage accounts
2. Real estate

3. Retirement plans and IRAs
4. Personal items
5. Life insurance policies including FEGLI and WAEPA

Most individuals are not subject to at least the federal estate tax, a result of the large exemption. However, the large exemption, resulting from the passage of the Tax Cuts and Jobs Act (TCJA), passed in 2017, is due to expire on December 31, 2025, unless Congress renews it. If Congress does not renew TCJA, the federal estate tax exemption will decrease to \$7 million. That could result in more estate being subject to federal estate tax, starting in 2026. For those individuals living in states with state estate taxes the state estate exemptions are much lower than the federal estate tax exemption. Some states have

an estate tax exemption of \$1 million.

Individuals who anticipate being subject to federal and/or state estate taxes should meet with a qualified estate attorney to discuss what they should do to minimize the chance of their estate being subject to federal and/or state estate taxes. One of the items to be discussed is what they can do with their life insurance policies, including FEGLI and WAEPA, to minimize the possibility of their life insurance policy being included in their gross estate. Removing a life insurance policy from one's gross estate could result in one's gross estate being valued at less than the estate exemption amount, which in turn would have no federal and/or state estate liability.

### **WAEPA Empathy Program Through New York Life Insurance Group**

WAEPA life insurance policy beneficiaries have access to a complimentary account with Empathy through New York Life Insurance Company.

Empathy provides personalized, tech-enabled assistance and human support to help a beneficiary navigate the practical, logistical and emotional challenge that comes with the death of a loved one.

The key features associated with Empathy include:

- Probate guidance
- Family collaboration
- Personalized checklists
- Benefits claiming
- Grief support
- Care experts

# Avoiding the Most Common Mistakes When Purchasing and Owning Life Insurance Policies, Including FEGLI and WAEPA

Applying for and obtaining life insurance seems like a straightforward process, particularly with respect to applying for FEGLI and WAEPA life insurance. With FEGLI, newly hired or rehired permanent Federal employees automatically qualify for coverage without having to furnish evidence of medical insurability (guaranteed issue). With WAEPA, individuals who join WAEPA as members with some underwriting. Newly hired federal employees who apply for WAEPA life insurance can get up to \$100,000 life insurance with guaranteed issue, provided they apply during their first year of federal service.

However, individuals can and do make mistakes when it comes to purchasing life insurance. These mistakes can be unfortunately expensive, particularly with respect to taxes. Fortunately, these mistakes can be corrected – hopefully quickly and inexpensively.

The following is a list of the most common mistakes made by individuals when purchasing life insurance, and what they

need to do to avoid or correct the mistakes.

- 1. Naming one's estate as beneficiary** – Naming one's estate as the sole beneficiary of one's life insurance will result in the gross proceeds being needlessly subject to probate. In states with inheritance taxes, the life insurance proceeds are also subject to inheritance tax. Most notably, naming one's estate as beneficiary will guarantee that any life insurance proceeds earmarked for loved ones will be subject to the expenses, a potential aggravation and delay of probate.
- 2. Failure to name contingent beneficiaries**  
If the primary beneficiary dies before the insured and another primary beneficiary was not designated, then at the death of the insured, the life insurance proceeds will be paid to the insured's estate, and subject to probate. Naming a contingent beneficiary will solve this problem. This is because a contingent beneficiary automatically becomes a primary beneficiary in the event the originally named primary beneficiary predeceases the insured. A charity is an appropriate choice as a contingent beneficiary, particularly for single individuals with few relatives.
- 3. Not reviewing one's life insurance coverage over the past two to four years** – It is all too often that at a life insurance policyowner's death it is discovered that the death benefit proceeds are payable to the policyowner's ex-spouse to whom the policyowner would not have wanted to receive the death benefit proceeds. Children born after a policy was purchased are often omitted as beneficiaries. After a period, the policy owner's life insurance needs to be changed. Perhaps more life insurance coverage is needed as a result of high inflation in recent years.
- 4. Owning the wrong type of life insurance** – Too often individuals purchase

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## Avoiding the Most Common Mistakes When Purchasing and Owning Life Insurance Policies, Including FEGLI and WAEPA *(continued)*

the wrong type of life insurance, given their needs for life insurance coverage. For example, they have a lifelong need for life insurance coverage and buy term insurance instead of permanent life insurance. They have a need for life insurance after they retire. If they are federal employees and eligible to keep their FEGLI life insurance in retirement, they do not realize that FEGLI BIA and Option A(Standard) coverage decreases 75 percent once they retire.

5. **The amount of insurance is inadequate, given an individual's needs** – An individual's life insurance is used for more than estate liquidity or paying off a debt in case of an individual's death. The questions that a potential life insurance policyholder should ask before applying for the life insurance are: (1) Will the policyholder's beneficiaries be able to pay for all of their needs, including food, clothing and shelter for as many as 30 to 40 years?; or (2) Will the insured's loved ones have enough after taxes are paid, after they pay off debts and estate settlement expenses are paid to maintain their standard of living?

6. **Life insurance proceeds are to be outright for children and grandchildren** – The improper bequeathing, or disposition of a deceased individual's assets is one of the most frequent and serious estate planning errors. There is nothing in estate law which states that every child must receive equally. Children have diverse needs. What about minor children? In many states, state law will tie up life insurance proceeds and make it more expensive and time consuming for minor children to use their bequeathed assets including life insurance death benefits. The reason for this is that no insurance company will knowingly pay substantial amounts outright to minor children. In cases like this, it is recommended that the insurance establish a trust for a spouse and children, naming the trust as the recipient of one's life insurance proceeds.
7. **All the life insurance policies, including FEGLI, WAEPA and any individually owned life insurance policies, are owned by the insured** Individuals who do not anticipate that their gross estate will exceed the

federal estate tax exemption need not be concerned as to who owns their life insurance policies. The federal estate tax exemption for 2024 is \$13.61 million. However, individuals who live in states with estate tax do have to be concerned. This is because the state estate exemptions are much lower. For example, Oregon has an estate tax exemption of \$1 million. In addition, the federal estate tax exemption will decrease to 7 million on January 1, 2026, unless Congress renews the Tax Cuts and Jobs Act of 2017 which increased the federal estate tax exemption to \$10 million, increasing each year indexed to inflation.

This uncertainty in the federal estate tax exemption starting in 2026 and the low state estate exemptions should prompt individuals so the estate could be affected by the federal and/or state estate tax to talk to a qualified estate attorney. In particular, how to avoid the inclusion of life insurance in an individual's gross estate. Some recommendations are assignment of ownership and establishing an irrevocable life insurance trust.

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## Avoiding the Most Common Mistakes When Purchasing and Owning Life Insurance Policies, Including FEGLI and WAEPA *(continued)*

**8. Not realizing that FEGLI and WAEPA become progressively more expensive, especially after retirement** – Federal employees enrolled in the FEGLI program should be aware that as an employee's SF 50 salary increases, so does the cost of the FEGLI BIA and Option B (Multiples of Salary). If a federal employee retires and is eligible and keeps all of his BIA in retirement, then the premium cost skyrockets (750 percent increase). Option B in general increases in cost every five years. But the significant increases in cost for Option B start when an employee or retiree becomes age 60. WAEPA is annual renewable life insurance. This means that every five years WAEPA premium costs increase.

**9. Understanding the advantages and disadvantages of using life insurance as a supplement, or a substitute, for survivor annuity benefits** – The federal government's retirement survivor annuity benefit program for both CSRS and FERS employees is a form of insurance. At retirement, employees can

choose to either receive a full CSRS or FERS annuity or to provide a survivor benefit. This results in a permanent reduction on the retired employee's CSRS or FERS annuity. But instead of agreeing to give a survivor annuity to a spouse, the annuitant can, with a written and notarized letter, consent that their spouse forgoes the survivor annuity. Without having a reduction to their annuity, the annuitant uses the cost savings, resulting from no reduction to the annuity, and uses those savings to purchase a life insurance policy in which the annuitant is the insured and the beneficiary of the life insurance is the spouse when the annuitant dies. At the annuitant's death, the surviving spouse would receive a lump-sum payment of the life insurance proceeds (the death benefit). These proceeds would then be invested to provide a surviving spouse with an income for his or her life.

There are several items that employees need to be aware of when it comes to using life insurance as a substitute for a survivor annuity benefit, called

"pension maximization." First, the retiring employee has to be insurable. Any significant health problems could result in denial of life insurance coverage. Second, by not providing any survivor annuity benefit, the surviving spouse, not a federal employee, will lose Federal Employees Health Benefits (FEHB) program health insurance coverage at the time the annuitant dies. Third, term life insurance policies have a maximum term of 30 years. If the insured annuitant lives past the term, there is no more life insurance. Cash value/permanent life insurance is another option. However, the cost of cash value/permanent insurance could be prohibitive, especially if a retiring employee is over age 55. Fourth, term life insurance has no inflation protection. If over a period of 15 to 20 years of retirement there is above average inflation, then the term insurance death benefit has lost purchasing power. A married federal employee should take note of these problems when it comes to using life insurance as a substitute for "pension maximization."

# Appendix

## Important FEGLI Forms (downloadable from [opm.gov/forms](https://www.opm.gov/forms))

**SF 2817** Life Insurance Election

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**SF 2818** Continuation of Life Insurance Coverage as an Annuitant or Compensation

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**SF 2819** Notice of Conversion Privilege, Federal Employees Life Insurance Program

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**SF 2820** Certification of Insured Employee's Retired Status

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**SF 2821** Agency Certification of Insurance Status

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**SF 2822** Request for Insurance

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**SF 2823** Designation of Beneficiary, Federal Employees Life Insurance Program

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## FEGLI GLOSSARY OF TERMS

**Accidental Death** – Death caused solely through violent, external, and accidental means. This has meaning under FEGLI if, as a direct result of the bodily injuries, independently of all other causes, you die within 1 year of the accidental injury.

**Accidental Death & Dismemberment (AD&D) Exclusions** – The Office of Federal Employees' Group Life Insurance (OFEGLI) will not pay AD&D benefits if your death or loss in any way results from, is caused by, or is contributed to by:

- Physical or mental illness. The diagnosis of or treatment of a physical or mental illness.
  - Ptomaine or bacterial infection (however, OFEGLI will pay AD&D benefits if the loss is caused by an accidentally sustained external wound).
  - A war (declared or undeclared), any act of war, or any armed aggression against the United States, in which nuclear weapons are actually being used.
- A war (declared or undeclared), any act of war, or any armed aggression or insurrection in which you are in actual combat at the time bodily injuries are sustained.
- Suicide or attempted suicide.
- Injuring yourself on purpose.
- Illegal or illegally obtained drugs that you administer to yourself.
- Driving a vehicle while intoxicated, as defined by

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## FEGLI Glossary of Terms *(continued)*

the laws of the jurisdiction in which you were operating the vehicle.

### **Accidental Dismemberment**

Bodily injuries which resulted solely through violent, external and accidental means. This has consequences under FEGLI if, as a direct result of the bodily injuries, independently of all other causes, you lose your limb(s) or eyesight in one or both eyes within 1 year of the accidental injury.

- Loss of hand means loss by severance at or above the wrist joint, or equivalent loss, as determined by OFEGLI.
- Loss of foot means loss by severance at or above the ankle joint, or equivalent loss, as determined by OFEGLI.
- Loss of sight means total and permanent absence of any usable vision in one or both eyes.

### **Age Multiplication**

**Factor** – A factor used to determine the extra amount of Basic Insurance payable at the time of your death, if you die before age 45 (also referred to as the “extra benefit”). See table of extra benefit amounts.

**Agency** (see also “Employing Office”) – A department or independent establishment of the executive, legislative or judicial branch of the United States Government. This includes Government-owned or -controlled

corporations, the District of Columbia Government (for certain eligible employees), and Gallaudet College. This term refers to the whole organization, as distinguished from its subdivisions and field installations.

“Independent establishment” includes the Senate, the House of Representatives, the Library of Congress, the Office of the Architect of the Capitol, the Administrative Office of the United States Courts, and the Supreme Court of the United States.

In the executive branch, the Department of Defense, Department of the Army, Department of the Navy, and Department of the Air Force are considered to be separate agencies.

**Annuity** – A retirement benefit (pension) paid on a monthly basis.

**Annuitant** – A former employee (retiree) entitled to an annuity under a retirement system established for employees. This includes the retirement system of a non-appropriated fund (NAF) instrumentality of the Department of Defense or the Coast Guard.

### **Annuity Starting Date**

The effective date of your annuity. This date may be retroactive. Also called “annuity commencing date.”

### **Assign and Assignment**

Your irrevocable (permanent – it cannot be undone transfer of ownership of your FEGLI coverage (except Dismemberment coverage and Option C) to another individual, corporation, trust, or other entity.

**Assignee** – The individual, corporation, trust, or other entity to whom you irrevocably transfer ownership of your FEGLI coverage (except Dismemberment coverage and Option C).

### **Automatic Cancellation**

**of Waiver** – The automatic entitlement to Basic insurance and ability to elect Optional insurance if you are reinstated to a FEGLI eligible position after a break in service of at least 180 days.

**Basic Insurance** – The coverage, based on your annual rate of basic pay, which you automatically have as an eligible employee unless you waive (cancel) it.

### **Basic Insurance Amount**

**(BIA)** – The amount of your “basic” insurance on which you pay premiums. It is determined by: taking your annual rate of basic pay; rounding it up to the next even \$1000; and adding \$2,000.

**Beneficiary** – The individual, corporation, trust, or other entity that is eligible to receive FEGLI benefits when you die.

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## FEGLI Glossary of Terms *(continued)*

**Cancellation** – The stopping of FEGLI by voluntary action. Also called “waiver.” You may cancel coverage at any time.

To cancel coverage employees must complete an SF 2817 (or its electronic equivalent if you work for an agency that utilizes on-line electronic enrollment and recordkeeping) waiving coverage. An annuitant must write a letter to the retirement system stating that he/she no longer wants Basic or all or part of Optional life insurance coverage. Reducing the number of multiples of Option B or Option C is a cancellation of those multiples.

Cancellation also happens if you agree to make direct premium payments, then fail to do so within the required timeframe.

**Canceling a Waiver** – Obtaining Basic or Optional life insurance coverage after you have previously waived or cancelled it.

**CFR** – Code of Federal Regulations. The FEGLI regulations are found in Part 870, title 5 CFR.

**Child** – (as used in the definition of family member (for Option C) and as used with life event). This includes:

- A child born within marriage
- An adopted child
- A stepchild or foster child who lives with you in a regular parent-child relationship

- A recognized natural child  
It does not include a stillborn child or a grandchild (unless the grandchild qualifies as a foster child).

Your child must be unmarried and under age 22 or, if age 22 or over, must be incapable of self-support because of a physical or mental disability that existed before the child reached age 22.

Adopted children inherit from their adoptive parents under the order of precedence, not from their birth parents (unless they are designated beneficiaries). However, a child who is adopted by the spouse of a birth parent inherits from that birth parent.

OFEGLI cannot pay benefits to a minor. A child who has reached the age of 18 is considered an adult and can receive a benefit payment in his/her name. But if the age of adulthood where the individual has legal residence is set at a lower age, the child is considered an adult upon reaching that lower age.

**Compensation** – Compensation under subchapter I of chapter 81 of title 5, United States Code, which is payable because of an on-the-job injury or disease.

**Concurrent Employment** – Legally serving in more than 1 position at the same time.

**Contributions** – Amounts

which the Government pays from its salary appropriations or other available funds as the employer's share of the cost of Basic insurance.

**Conversion** – The exchange of FEGLI coverage for insurance under an individual policy purchased from a private insurance company listed by the Office of Federal Employees' Group Life Insurance (OFEGLI) and approved by OPM.

**Court Order** – A court decree of divorce, annulment, or legal separation, or a court-approved property settlement agreement relating to any court decree of divorce, annulment, or legal separation. A court order has meaning under FEGLI if it requires FEGLI benefits to be paid expressly to a specific person or persons.

**Covered Position** – A position in which an employee is not excluded from FEGLI eligibility by law or regulation.

**Date of retirement** – The starting date of annuity. This date may be retroactive.

**Days** – Calendar days.

**Dependent** – Living with or receiving regular and substantial support from you, the insured individual.

**Designation of Beneficiary** – Notice, signed by you, and witnessed and signed by 2 persons, indicating the person(s) you want to receive

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## FEGLI Glossary of Terms *(continued)*

your life insurance benefits. The form used for life insurance designations is the SF 2823 (Designation of Beneficiary).

**Employee** – An individual appointed or elected to a position in or under the executive, legislative, or judicial branch of the United States Government, as defined at 5 U.S.C. 8701(a).

**Employing Office** – The agency office (or retirement system office) that has responsibility for life insurance actions.

The Administrative Office of the United States Courts is the employing office for judges of the following courts:

- All United States Courts of Appeals
- All United States District Courts
- The Court of International Trade
- The Court of Federal Claims
- The District Courts of Guam, the Northern Mariana Islands, and the Virgin Islands

The Washington Headquarters Services is the employing office for judges of the United States Court of Appeals for the Armed Forces.

The United States Tax Court is the employing office for judges of the United States Tax Court.

The United States Court of Veterans Appeals is the

employing office for judges of the United States Court of Veterans Appeals.

### **Extension of Coverage**

Automatic continuation of your life insurance coverage for 31 days after your life insurance ends, unless your coverage ends by your waiver or cancellation of coverage or because your annuity or compensation terminates. The 31-day extension of coverage does not include AD&D coverage.

**Family Member** – A spouse (including a valid common law marriage) and unmarried dependent eligible child(ren).

**Foster Child** – as used in the definition of family member (for Option C) and for life events.

A child who is unmarried and under age 22 (if the child is over age 22, they must be incapable of self-support because of a physical or mental disability that existed before age 22):

- Who lives with you.
- Who has a parent-child relationship with you, not the child's biological parent.
- Who is dependent upon you for their primary source of financial support; and
- Whom you expect to raise to adulthood.

### **Immediate Annuity**

- An annuity that begins no later than 1 month after the date the insurance would

otherwise stop (the date of separation from service); or

- An annuity under 5 CFR 842.204(a)(1) for which the starting date has been postponed under 5 CFR 842.204 (called an MRA+10 annuity).

**Incontestability** – A statutory provision allowing coverage you received erroneously to become valid. Incontestability applies if it has been at least 2 years between the time the error was made and the time the error was discovered, and you paid the applicable premiums during that time.

**In Force** – The amount of insurance in force is the amount of coverage you have at any particular point in time.

**Inter-Vivos Trust** – A trust that you establish during your lifetime.

**Life Event** – For purposes of electing or increasing Option B and/or Option C coverage, a life event is:

- Marriage
- Divorce
- Death of spouse
- Acquiring an eligible child

**Living Benefit** – A life insurance benefit (Basic insurance only) paid to you while you are still living, rather than paid to a beneficiary after you die. To qualify for a living benefit you must be terminally ill, with a life expectancy of

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## FEGLI Glossary of Terms *(continued)*

9 months or less. FEGLI The Office of Federal Employees' Group Life Insurance, which makes payments to beneficiaries under the FEGLI contract. OFEGLI is not a federal agency. It is staffed by employees of the life insurance contractor. The mailing address for OFEGLI is

P.O. Box 6512, Utica, NY  
13504-6512

The street address (for deliveries such as Federal Express only) is

5950 Airport Rd, Oriskany,  
NY13424-3926.

The phone number is **1-800-633-4542**. The phone lines are open from 8:30 a.m. to 4:00 p.m ET.

**Open Season** – Time period, set by OPM, in which employees may elect or increase life insurance coverage, regardless of any current waiver of insurance in effect. FEGLI Open Seasons are not held annually and are rare events.

**OPM** – The U.S. Office of Personnel Management.

**Option A** – \$10,000 in coverage that you can elect in addition to Basic insurance. Also called Standard Optional Insurance.

**Option B** – Coverage, equal to one, two, three, four or five multiples of your annual basic rate of pay, that you can elect in addition to Basic insurance.

Also called Additional Optional Insurance.

**Option C** – Coverage in order to insure your spouse and eligible child(ren), that you can elect in addition to Basic insurance. You can elect one, two, three, four or five multiples (each multiple equals \$5,000 for a spouse and \$2,500 for an eligible child). Also called Family Optional Insurance.

**Optional Insurance** – Insurance that you can elect in addition to Basic insurance. There are three types of Optional insurance: Option A, Option B, and Option C.

**Order of Precedence** – Under Federal law, the order in which life insurance benefits are paid to your survivors:

Your designated beneficiary or beneficiaries.

If there is no designated beneficiary, your widow or widower.

1. If neither of the above, your child or children in equal shares, with the share of any deceased child distributed among the descendants of that child (see "Payment to a Minor")
2. If none of the above, to your parents in equal shares – or the entire amount to the surviving parent
3. If none of the above, to the executor or administrator of your estate

4. If none of the above, to the next of kin as determined under the laws of the State where you lived

The order of precedence does not apply when you have validly assigned your insurance or when a valid court order is on file.

**OWCP** – The Office of Workers' Compensation Programs, U.S. Department of Labor, which administers Subchapter I of Chapter 81 of title 5, United States Code.

**Parent** – The mother or father of a child born within marriage or an adopted child.

The mother of a child born outside of marriage; or

The father of a child born outside of marriage, if the child meets the definition of a recognized natural child.

**Pay and Duty Status** – Time when you are actually working; it does not include time on annual or sick leave, leave without pay, excused absence, military leave, or other absence from duty.

**Post-65 Reduction** – The amount by which your insurance coverage as an annuitant reduces from its original retirement amount after your 65th birthday (or after retirement, if later). For Basic insurance, the choices are 75 Percent Reduction, 50 Percent Reduction, and No Reduction. For Option B and Option C, the choices are Full Reduction and No Reduction. There is no

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## FEGLI Glossary of Terms *(continued)*

choice for Option A; it reduces by 75 Percent from its original amount of \$10,000.

### **Recognized Natural Child**

A child born outside of marriage. An insured individual is considered to be the father of such a child under the following conditions:

- The individual acknowledged paternity in writing
- A court ordered the individual to provide support
- Before the individual died, a court pronounced him to be the father
- The individual names himself as the father on a certified copy of the public record of birth or church record of baptism
- Public records, such as records of schools or social welfare agencies, show that – with his knowledge – the individual was named as the father of the child

If paternity is not established by one of the above means, OFEGLI may consider other evidence, such as the child's eligibility as a recognized natural child under other State or Federal programs or proof that the father included the child as a dependent child on his income tax returns.

**Reconsideration** – The final level of administrative review of an employing office's initial decision to determine if the

employing office followed the law and regulations correctly in making the initial decision concerning FEGLI eligibility and coverage.

### **Regular Parent-Child Relationship**

- Exercising parental authority, responsibility, and control over the child.
- Caring for, supporting, and disciplining the child, and
- Making decisions about the child's education and medical care.

**Separation** – Leaving Federal service, either by resignation, retirement, being laid off, or being fired.

**Service** – Federal civilian service that is creditable under Subchapter III of Chapter 83 or Subchapter II of Chapter 84 of title 5, United States Code. This includes service under a Non-Appropriated Fund (NAF) instrumentality of the Department of Defense or the U.S. Coast Guard for an individual who elected to remain under a retirement system established for employees described in Section 2105(c) of title 5 U.S.C.

**Terminal Leave** – Leave taken immediately prior to separation.

**Terminally Ill** – for purposes of qualifying for a Living Benefit.

Having a medical prognosis of a life expectancy of 9 months or less.

**Termination** – The stopping of an insured's FEGLI coverage by involuntary action.

**Testamentary Trust** – A trust that is created by your will at your death.

**Under Deduction** – Failure to withhold the required amount of life insurance deductions from your pay, annuity, or compensation. This includes non-deductions (when none of the required amount is withheld) and partial deductions (when only part of the required amount is withheld). If there is no pay during a pay period, there is no deduction.

**U.S.C.** – United States Code.

### **Viatical Settlement Firm**

A private company that exchanges cash for assignment of life insurance to a terminally or chronically ill person.

**Waiver** – Not electing a particular type of coverage or multiple of coverage (for Option B and Option C); or cancellation of coverage.

**Withholdings** – Amounts deducted from your pay, annuity, or compensation for the full cost of Optional insurance and your share of the cost of Basic insurance.