SUMMARY: The Office of Personnel Management (OPM) is issuing interim regulations to implement section 4 of Public Law 103-336, which amended the Federal Employees' Group Life Insurance (FEGLI) law to provide that all Federal employees and former employees could irrevocably assign ownership of their life insurance coverage to someone else. Previously, only judges could assign ownership of their insurance.

DATES: These interim regulations are effective November 3, 1995. Comments must be received on or before November 3, 1995.

ADDRESSES: Send written comments to Lucretia F. Myers, Assistant Director for Insurance Programs, Retirement and Insurance Service, Office of Personnel Management, P.O. Box 57, Washington, DC 20044: or deliver to OPM, Room 3451, 1900 E Street NW., Washington, DC; or FAX to (202) 606-0633.

FOR FURTHER INFORMATION CONTACT: Margaret Sears (202) 606–0004.

SUPPLEMENTARY INFORMATION: Public Law 103-336, enacted October 3, 1994, amended the FEGLI law to provide that all insured Federal employees and former employees may irrevocably assign ownership of their FEGLI coverage to someone else. Previously, the right to assign ownership was limited to judges. These interim regulations amend current regulations to expand their application to all insured Federal employees, annuitants, and compensationers. In addition, the interim regulations address issues that affect employees, annuitants, or compensationers, but do not affect judges.

Under these interim regulations, insured persons may irrevocably assign their life insurance coverage, except for accidental dismemberment insurance and family optional insurance, to one or more individuals, corporations, or trustees. When a person has more than one type of assignable insurance (for example, basic life insurance, standard optional insurance, and additional optional insurance) he or she must assign all of the insurance, not just a portion of it. The insured person may assign ownership to more than one individual, corporation, or trustee. In making an assignment to multiple assignees, the insured person must specify the percentage of the total value of the insurance that is to be owned by each assignee.

An insured person who elects a Living Benefit cannot assign the balance of his or her insurance, nor can an insured person who assigns his or her insurance elect a Living Benefit.

When the assignment is made, the assignee assumes most of the rights related to the insurance, including the right to cancel all insurance, to cancel or reduce optional insurance, to designate beneficiaries, and to convert the insurance to a private policy when the FEGLI coverage terminates for a reason other than cancellation. The insured person retains the right to increase coverage, but cannot reduce or cancel it.

An assignment automatically cancels any designation of beneficiary the insured person might have made, and the insured person no longer has the right to designate a beneficiary. Instead, the assignee assumes the right to designate beneficiaries. Although the assignee is automatically the beneficiary if he or she does not designate a beneficiary, the assignee may designate himself or herself as beneficiary and name another person as contingent beneficiary to receive the insurance benefits if the assignee dies before the insured person. If the assignee does not designate a contingent beneficiary and dies before the insured person, the life insurance is payable to the deceased assignee's estate when the insured person dies. Reopening the deceased assignee's estate years after the assignee's death can cause difficulties for the heirs. By naming a contingent beneficiary, the assignee can simplify payment of the life insurance.

Previously, the regulations permitted legally appointed guardians of assignees to designate beneficiaries on behalf of the assignee. We have discontinued this provision in the interim regulations in order to conform to the regulations applicable to designations of beneficiary made by Federal employees and annuitants (5 CFR 870.902). These regulations do not provide for designations of beneficiary made by legally appointed guardians on behalf of Federal employees and annuitants.

Under the FEGLI law, an employee who retires or receives compensation from the Office of Workers' Compensation Programs and meets certain length-of-participation requirements may continue life insurance coverage as an annuitant or compensationer unless he or she converts it to a private policy. These interim regulations provide that, if the employee had assigned the insurance, the assignee assumes the right to convert the insurance when the insured employee becomes an annuitant or compensationer. If there are multiple assignees, some may choose to convert and some may choose to allow the insurance to continue while the insured person is receiving annuity or

compensation payments. In this case, the amount each assignee can convert is determined by the assignee's share of the total value of the insurance. However, the amount of each type of insurance continued is determined by the total percentage of the shares of the assignees who choose continued coverage. For example, if two assignees, each having a 25 percent share in the ownership of the total insurance amount consisting of basic life and standard optional, chose to continue coverage while the other assignees chose to convert, 50 percent of the value of the basic life and 50 percent of the value of the standard optional would be continued. Although the assignees own a share of the total value of the insurance, it is necessary to distinguish between the types of insurance in order to apply premiums and reduction

factors during retirement.

An insured person who retires or receives compensation under circumstances that allow continued life insurance coverage retains the right, at the time of retirement, to choose to maintain more than the minimum postretirement basic life insurance coverage than is provided through the 75 percent reduction after age 65. That is, when a retiree reaches age 65, basic life insurance begins to reduce at a rate of 2 percent per month until it reaches 25 percent of its value at the time the person retired (a 75 percent reduction) unless, at the time of retirement, the person chose to pay an extra premium for a reduction of only 50 percent or no reduction at all. Compensationers' basic life insurance is affected in the same way and they have the same opportunity to elect more that the minimum post-retirement basic life insurance coverage. Assignees cannot make the initial election of a lesser reduction, but if the insured person elects 50 percent or no reduction, the assignee can later cancel that election. When an election of 50 percent or no reduction is cancelled, the reduction percentage reverts to 75 percent

After making an assignment, the insured person continues to pay the premiums for the insurance through withholdings from pay, annuity, or compensation. However, if the insured person is retired under the Federal Employees Retirement System and the annuity is too small to cover the premiums, either the insured person or the assignee(s) may pay the premiums directly to the retirement system.

FEGLI insurance terminates when an employee separates from his or her position, at the end of 12 months in nonpay status, or when the employee is transferred to a position in which he or