

Insurable Interest



Defense Civilian Personnel Advisory Services (DCPAS)
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Insurable Interest Election

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

A retiring employee may name only one person as the beneficiary of an insurable interest annuity. Spousal consent is not required. However, if married, an insurable interest election of someone other than the spouse may not be made *unless both* you and your spouse have consented to waive the current spouse's annuity by completing and attaching SF 2801-2 to your application for an insurable interest election. If a retiring employee wishes to make an insurable interest election, he or she must get a medical examination showing they are in good health. The licensed physician must certify form OPM 1530 and it must be attached to the retirement application. The retiring employee is responsible for all costs of the medical exam.

An insurable interest is presumed to exist for:

- current spouse;
- blood or adoptive relative closer than first cousins;
- former spouse;
- fiancée; or
- valid common-law marriage based on the laws of each state that recognizes common-law marriages.

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

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

An Insurable Interest Annuity Automatically Ends If:

- the person named to receive insurable interest dies;
- the retiree marries someone other than the insurable interest and elects a survivor annuity for the spouse, the retiree can elect to cancel the insurable interest; or
- the retiree marries the insurable interest and elects to provide a survivor annuity

Age of Insurable Interest & Reduction to Provide this Benefit

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

Age of person in relation to the retiree	Reduction
Older, same age, or less than 5 years younger	10%
5 but less than 10 years younger	15%
10 but less than 15 years younger	20%
15 but less than 20 years younger	25%
20 but less than 25 years younger	30%
25 but less than 30 years younger	35%
30 or more years younger	40%

Example

Base annuity is \$12,000
Insurable interest is 23 years younger
Annuity would be reduced by 30%
Reduction: $\$12,000 \times 30\% = \$3,600$.

Upon the death of the retiree, the insurable interest beneficiary would receive annually:
 $\$12,000 - \$3,600 = \$8,400$
 $\$8,400 \times 55\% = \$4,620$

References:

[5 CFR 831.613](#) - Election of insurable interest annuity
Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) Handbook, Survivor Benefit Elections

For additional information you may contact our office at the following address:

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