Choosing an Insurable Interest Survivor Annuity

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It's the first you've heard of it, and it sounds too good to be true. You can be single at retirement, and still elect to leave a monthly survivor benefit to someone, other than a former spouse, that will be payable to that person for life? Really?

It's true. The benefit is called an insurable interest survivor annuity, and the election is made on the application for retirement for CSRS and FERS employees. The insurable interest survivor annuity is a recurring monthly benefit payable to an individual who has an insurable interest in the retiring employee. As a general rule, if you separate on a non-disability retirement, and are in good health, you may consider leaving this benefit if you can show that the survivor would benefit from you, the retiree, continuing to be alive. If you can show adverse impact, financially, to the survivor upon your death, you have met a crucial factor in determining eligibility for this benefit.

An insurable interest is presumed to exist if one of the following individuals is named:

- current spouse
- blood relative or adoptive relative, closer than first cousins
- former spouse
- fiance
- person living in a relationship that would constitute a common-law marriage in jurisdictions that recognize common-law marriages

If the person you would like to name as insurable interest is not one of the above, you have the option of submitting affidavits from one or more people with personal knowledge of your relationship to this person.

Affidavits must show:

- the relationship, if any, between you and the person you name
- the extent to which the person is dependent on you
- the reason the person you name might expect to derive financial benefit from your continued life

You are responsible for arranging and paying the cost of a current medical examination, required to show you are in good health. This medical examination must be signed and dated by a licensed physician, and should be attached to the retirement application.

This election can be made by a married employee at retirement if the employee is providing a double survivor annuity; that is, the employee is leaving a current spouse survivor annuity and an insurable interest survivor annuity. A married employee may also make this election if the current spouse waives the right to the survivor annuity.

You can change your mind about leaving an insurable interest survivor annuity after retirement as long as, no later than 30 days after the date of the first regular monthly retirement check, you file a new election with OPM.

The insurable interest survivor annuity ends when:

- the person named to receive the benefit dies
- the person named is the current spouse, and a former spouse loses entitlement to the survivor benefit
- the insurable interest becomes your spouse
- you marry someone else and elect to cancel the insurable interest

Remember, only one person can be named as your insurable interest, and this option is not available after you retire.