

## Assignments and Viatical Settlements

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### What is an assignment?

"Assignment" means that you give ownership and control of your Basic, Option A, and/or Option B life insurance coverage to someone else. This means that the money goes to the assignee, or the assignee's beneficiary(ies) when you die.

The insurance is still on your life and you must continue to pay for the coverage, but someone else "owns" and controls your coverage. You may assign your life insurance coverage to an individual, a corporation, or an irrevocable trust. Your decision to assign your life insurance coverage is irrevocable; you cannot cancel your assignment if you change your mind. You cannot assign Option C.

### Can I assign my life insurance to the Civil Service Retirement and Disability Fund in order to pay off a debt?

Yes. If you owe money to the Civil Service Retirement and Disability Fund, such as an overpayment of annuity, you may assign your life insurance. You cannot assign your insurance, however, to pay a deposit or redeposit to get credit for time during which you did not have retirement deductions withheld from your salary or for a period of service for which you received a refund of your retirement contributions. You must make a deposit and/or redeposit before you can get credit for the service in the computation of your annuity. When you assign your life insurance coverage, the assignee does not receive the money until you die.

### Can I assign my insurance to a viatical settlement firm?

If you are terminally ill, you can assign your FEGLI coverage to a viatical settlement firm in exchange for cash. Some viatical firms also accept assignments if you are chronically ill.

### Can I assign my coverage to obtain cash even if I'm not terminally or chronically ill?

## FEGLI Frequently Asked Questions for Employees

In theory, yes. If you can find someone willing to pay you cash in return for your assignment, certainly you are free to enter into such an arrangement. In practice, no. Viatical settlement firms pay terminally or chronically ill individuals cash in exchange for receiving the assignment of their life insurance coverage. While the required life expectancies vary by firm, no firm in the industry will pay for receiving assignment from an individual who is not terminally or chronically ill. It simply makes no sense. The firm would have no expectation of when they would receive the death benefit. They would have to discount the amount paid so much in order to account for this uncertainty, that the amount paid would go down to zero.

### **What is the difference between a viatical settlement firm and the Living Benefits provision under the FEGLI Program?**

Living Benefits payments come from the Employees' Life Insurance Fund (Part of the U.S. Treasury). Viatical settlement firms are private firms not connected with the Federal government.

The Federal law determines the amount of insurance available and the requirement for receiving a Living Benefit payment. Viatical settlement firms set their own requirements and payment amounts.

### **Are Living Benefits taxable? What about cash received from an assignment to a viatical settlement firm?**

Living Benefits payments received on or after January 1, 1997, are not subject to Federal income tax. However, some states have laws, regulations, or rulings concerning the taxability of Living Benefits (also called accelerated death benefits). You should consult a tax advisor or your State's tax department for specific information concerning State income tax laws.

Qualified payments from viatical settlement firms received on or after January 1, 1997 are also not subject to Federal income tax provided the companies meet certain tax exemption qualifications.

If you are considering assigning your insurance to a viatical settlement firm, you should consult a tax advisor to determine if you and the viatical settlement firm meet the tax exemption qualification standards.