



United States  
Office of Personnel Management  
Retirement and Insurance Service

Benefits Administration Letter

Number: 99-202

Date: February 9, 1999

**Subject: Federal Employees' Group Life Insurance: Public Law 105-311 - Direct Payment of Premiums**

**GENERAL INFORMATION**

**Background**

Pub. L. 105-311, Federal Employees Life Insurance Improvement Act, enacted October 30, 1998, made numerous changes to the Federal Employees' Group Life Insurance (FEGLI) Program.

One of those changes is to allow employees (and annuitants and compensationers) to pay their life insurance premiums directly if their pay (or annuity or compensation) is insufficient to make the premium withholdings.

The direct pay provisions became effective the first pay period beginning on or after October 30, 1998.

**Purpose**

The purpose of this Benefits Administration Letter (BAL) is to provide instructions for implementing the direct pay provisions of the new law.

**DIRECT PAYMENT OF PREMIUMS**

**Who Is Eligible to Make Direct Premium Payments?**

Employees whose pay, on an ongoing basis, is insufficient to make premium withholdings are eligible to continue their life insurance by paying their premiums directly.

Civil Service  
Retirement  
System

Federal Employees  
Group Life  
Insurance

Federal Employees  
Health Benefits  
Program

Federal Employees  
Retirement  
System

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**What Is Meant by an  
“Ongoing Basis”?**

Insufficient pay on an ongoing basis means that the employing office expects that during the next 6 months or more, an employee’s regular pay, after all other deductions, will not be enough to cover the required withholdings.

**IMPORTANT NOTE:** The direct pay provision does *not* apply to employees in a nonpay status. Employees in a nonpay status are entitled to continue their FEGLI coverage for free for up to 12 months (unless they are receiving workers’ compensation benefits, in which case coverage is not free). At the end of 12 months in nonpay status, FEGLI terminates. (Effective April 24, 1999, employees in this situation, whose coverage would otherwise terminate, may be eligible to continue Option B by porting the coverage and making direct premium payments. Information concerning this portability provision will be given in a later BAL.)

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**What Do Agencies  
Have to Do?**

The procedures for dealing with insufficient pay under FEGLI are similar to those in place for dealing with insufficient pay under the Federal Employees Health Benefits (FEHB) Program.

Agencies must have a system for identifying all employees whose salary is too low for withholding the FEGLI premiums.

Agencies must give employees written notice as soon as they become aware of an ongoing insufficient pay situation. The notice will give employees information regarding the choices they can make. A sample notice is attached to this BAL.

If the employing office cannot give the notice directly to the employee, it must send the notice by first class mail.

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**What Are an Employee’s  
Choices?**

An employee can choose either to terminate his/her FEGLI coverage or to continue the coverage and make direct premium payments.

The employee must make his/her choice, indicate it on the notice, and return the notice to the employing office within 31 days of receiving the notice (45 days for employees living overseas). (A notice that is mailed is considered to be received by the employee 5 days after the date of the notice.)

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**What Happens If the Employee Chooses to Terminate the Insurance?**

If the employee chooses to terminate his/her FEGLI coverage - or if the employee doesn't return the notice making a choice within the required time limit- coverage will terminate retroactive to the end of the last pay period in which premiums were withheld from the pay.

The employing office must prepare a memo indicating the reason for the termination and attach it to the most recent SF 2817 in the employee's file. The employing office must give the employee the information necessary for him/her to convert the FEGLI coverage.

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**What Are the Effects of a Termination?**

With a termination, the employee gets the 31-day extension of coverage and the right to convert.

A termination is *not* considered a break in the continuous coverage needed to continue FEGLI into retirement.

Following a termination, the FEGLI coverage is automatically reinstated when the pay becomes sufficient to make the withholdings.

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**What Happens If the Employee Chooses to Continue the Insurance?**

If the employee chooses to continue his/her FEGLI coverage, he/she must agree to pay the premiums directly on a current basis.

The agency may set up a system to collect the premiums itself, or it may contract with an entity such as the National Finance Center (NFC).

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**Can an Employee Have Some of the Premiums Withheld and Make Direct Payments for the Rest?**

No. Either all of the premiums must be withheld from pay, or all of the premiums must be paid directly. An employee can't have both types of payments going on simultaneously.

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**Can an Employee Choose to Terminate Some of the Insurance Coverage?**

Yes. An employee with insufficient pay can terminate some of his/her coverage. If enough coverage is terminated so that the pay is sufficient for withholding the rest, salary withholdings can continue.

If some coverage is terminated, but the salary is still not enough for the remaining withholdings, the employee must make direct payments for the premiums for the remaining coverage.

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**What Happens If an Employee on Direct Pay Doesn't Make the Premium Payments?**

If the employee fails to make the payment on time, the employing office must notify him/her in writing that if payment isn't received within 15 days after receiving the notice (45 days for those living overseas), coverage will be cancelled. (A notice that is mailed is considered to be received 5 days after the date of the notice.)

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**What Are the Effects of a Cancellation?**

With a cancellation, the employee does *not* get the 31-day extension of coverage or the right to convert.

A cancellation *is* considered a break in the continuous coverage needed to continue FEGLI into retirement.

Following a cancellation, the FEGLI coverage is *not* reinstated when the pay becomes sufficient to make the withholdings.

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**What Happens When the Employee's Pay Becomes Large Enough for the Premium Withholdings?**

*If the employee chose termination* - or if the employee's life insurance terminated because he/she didn't return the the required notice - the insurance coverage is automatically reinstated when the pay becomes sufficient to cover the withholdings.

The employing office must prepare a memo noting the reinstatement of the coverage and attach it to the most recent SF 2817 in the employee's file. If the employee converted any of his/her coverage, the conversion policy must be terminated.

*If the employee chose direct pay and made the premium payments*, the premiums must start being withheld from the employee's pay as soon as the pay becomes sufficient. If the agency has contracted with NFC, the employing office must notify NFC that the premiums are again being withheld

from the employee's pay, so that NFC can close out their "account" on the employee.

*If the employee chose direct pay but did not make the premium payments, the coverage remains cancelled.*

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Abby L. Block, Chief  
Insurance Policy  
and Information Division

Attachment

**FEDERAL EMPLOYEES' GROUP LIFE INSURANCE (FEGLI) OPTIONS WHEN PAY IS INSUFFICIENT FOR WITHHOLDING PREMIUMS**

Name of Employee: \_\_\_\_\_ Date: \_\_\_\_\_

***You must respond within 31 days of this notice (45 days for those living overseas) or your FEGLI coverage will automatically terminate.***

We have determined that your salary is not large enough for withholding FEGLI premiums and will continue to be insufficient on an ongoing basis.

You have three choices: to terminate all of your FEGLI coverage, to terminate some of your FEGLI coverage, or to continue your FEGLI coverage by paying the premiums directly on a current basis.

**TERMINATION:** If you choose to terminate your coverage (or if you don't return this notice on time, and your coverage terminates automatically), the termination will take effect at the end of the last pay period in which premiums were withheld. Your coverage will continue for an additional 31 days at no cost to you. During those 31 days, you will be eligible to convert to a nongroup policy. You have been given the information necessary for you to convert.

You may terminate all of your FEGLI coverage or just a part of it. If you terminate only a part of your coverage, the premiums for the remaining coverage will be withheld from your salary, if it is large enough to do so. If your pay is still insufficient for the withholdings for the remaining insurance, you must make direct payments.

**When your pay becomes sufficient for withholding:** When your pay again becomes sufficient for the premium withholdings, any terminated coverage will be reinstated automatically. If you converted any of your coverage, you must contact the insurance company to terminate the conversion policy.

**CONTINUATION:** If you choose to continue your FEGLI coverage, you must pay the premiums directly. Your check (or money order) in the amount of \_\_\_\_\_ must be made payable to \_\_\_\_\_. Include on the check your name, social security number, a note that the payment is for "FEGLI premium," and the pay period for which the payment is being made. Mail to: \_\_\_\_\_.

*By choosing to continue your coverage and make direct premium payments, you are agreeing that if you do not make the payments, your coverage will be cancelled. If your coverage is cancelled for nonpayment, you will not have the right to convert, and your coverage will not be reinstated if your salary eventually becomes large enough for the premium withholdings.*

Please check the appropriate space(s) below, sign the notice, and return it to your employing office at \_\_\_\_\_.

I have read this notice, and I understand my choices. I choose the following:

1. I choose to terminate all my FEGLI coverage. I understand that the coverage will be reinstated automatically when my pay becomes sufficient for withholding the premiums.  
\_\_\_\_\_

2. I choose to terminate only the following FEGLI coverage(s):

\_\_\_\_\_ Option C

\_\_\_\_\_ Option A

\_\_\_\_\_ Option B (Number of multiples [1-5] you want to terminate \_\_\_\_\_)

I understand that the premium for the coverage(s) that remain will be withheld from my pay if it is sufficient for doing so; otherwise I must pay my premiums directly on a current basis.

3. I choose to continue my FEGLI coverage. I understand that if I do not make the payments on a current basis, my coverage will be cancelled and will *not* be reinstated when my pay becomes sufficient for withholding the premiums. \_\_\_\_\_

\_\_\_\_\_  
(Employee's signature)

\_\_\_\_\_  
(Date)

If you have any questions, contact \_\_\_\_\_ at \_\_\_\_\_. *[Insert name and phone number of agency contact]*