

Insurable Interest SBP Coverage

This fact sheet provides information to help you understand the provisions of the Survivor Benefit Plan (SBP), but is not a contract document. The basic statutory provisions of the SBP law are in Chapter 73, Title 10, United States Code.

This type of coverage enables an unmarried member with no eligible children to name someone who has an insurable interest in the retiree as a beneficiary. As an exception, an unmarried member who has only **one** dependent child may name that child as an insurable interest beneficiary rather than as a beneficiary under child only coverage. Only one person can be named as an insurable interest beneficiary at one time.

Effective November 24, 2003, an election for Insurable Interest coverage will be vitiated (voided) if the member retires for disability on or after that date and dies within one year of retirement, and the cause of death is related to the disability for which the member was retired. Exception: An Insurable Interest annuity will be payable if the election was for a dependent holding a valid military dependent identification (ID) card with the member as the sponsor. If the election is voided, premiums paid by the member will be refunded to the person for whom the SBP election had been made.

Who Can Be Named as an Insurable Interest Beneficiary

An insurable interest beneficiary is a person who has a financial interest in the continued life of the member. This can be either a family member or a non-related person. Documentation that an insurable interest exists is required for all non-related persons and family members as distantly related as a cousin. If the election is subsequently disapproved (because it is determined the person designated is not an eligible beneficiary), any costs collected will be refunded.

Family members with an insurable interest may include a parent, stepparent, grandchild, one dependent child who would have qualified as a beneficiary under child only coverage (provided there is only one dependent child), a non-dependent child (e.g., an adult capable of self-support), brother, sister, aunt, uncle, cousin, niece, nephew, etc.

Examples of a non-related insurable interest party include a close business associate who would be financially affected by your death, business partner, joint property owners, etc. A former spouse cannot be named as a beneficiary under this option as of March 1, 1986.

A member with no spouse and no dependent children, who has several adult children, can elect insurable interest coverage for one of those adult children, or can bypass those adult children and elect coverage for another insurable interest beneficiary (e.g., brother, sister, etc.).

An insurable interest beneficiary's eligibility is not affected by that person's age, student status, financial, or marital status.

SBP Cost

A member must elect maximum (full) coverage when electing insurable interest coverage (the base amount has to be the member's gross retired pay). SBP costs for insurable interest coverage are considerably higher than the other SBP beneficiary categories. Costs are 10 percent of the member's gross retired pay plus an additional five percent for each full five years the beneficiary is younger than the retiree. Total costs, however, cannot exceed 40 percent of the retired pay.

Example:

A retiree is 45 and the person covered is 32. The age difference is 13 years which is two full five-year periods. Therefore the cost percentage of retired pay would be 20 percent ($10 + [2 \times 5] = 20$ percent). If retired pay is \$1,000 per month, the monthly cost will be \$200 (20 percent of \$1,000).

The Annuity

The annuity is 55 percent of the member's retired pay remaining after the cost has been deducted. Payments are increased by Cost-Of-Living Adjustments (COLAs) at the same time and by the same percentage as retired pay is increased.

Example:

Base Amount	\$1,000.00
Cost (\$1,000 X 20%)	\$200.00
Benefit (\$1,000 - \$200) X 55%	\$440.00

Effective November 24, 1993, an election for Insurable Interest coverage will be vitiated (voided) if the member retires for disability on or after that date and dies within one year of retirement, and the cause of death is related to the disability for which the member was retired. Exception: An Insurable Interest annuity will be payable if the election was for a dependent holding a valid military dependent identification (ID) card with the member as the sponsor on the date of the member's death. If the election is voided, premiums paid by the member will be refunded to the person for whom the SBP election had been made.

Coverage Changes

Insurable interest coverage can be changed to coverage for a new spouse and/or child. The member must submit a written request to DFAS within the first year of acquiring the new spouse and/or child. Costs for the insurable interest coverage stop effective the date the cost for spouse or child coverage becomes effective.

Terminating Coverage and Cost

Insurable interest coverage and costs terminate the first day of the month after the date the insurable interest beneficiary dies. You must provide a copy of the death certificate to Defense Finance and Accounting Service, US Military Retirement Pay, PO Box 7130, London, KY 40742-7130.

Effective October 5, 1994, insurable interest coverage (not the member's former spouse) may be arbitrarily discontinued at any time by submitting a written request to Defense Finance and Accounting Service, US Military Retirement Pay, PO Box 7130, London, KY 40742-7130. You cannot name another insurable interest beneficiary. If you are interested in terminating your insurable interest coverage, contact your finance center or personnel counselor.

Effective 17 Oct 06, a member may name another insurable interest beneficiary within 180 days following the death of the previous beneficiary by submitting a written request to DFAS. Such an election would become effective the first day of the month following the date DFAS receives the request. The insurable interest coverage will be vitiated (voided) if the member dies before the end of the two-year period beginning on the effective date of the election. All premiums paid on the new insurable interest beneficiary's behalf will be refunded in a lump-sum payment to the person who would have been the beneficiary had the member lived the required two years.

Insurable Interest Elections for Former Spouse Coverage Prior To 1 Mar 86

These elections are referred to as former spouse elections of the insurable interest type. As of March 1, 1986 a former spouse cannot be named a beneficiary under this option.