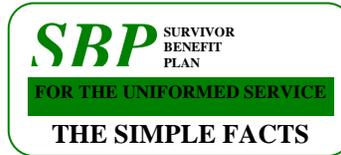


# **SBP FACT SHEET**

## **INSURABLE INTEREST COVERAGE**

This fact sheet is designed to supplement the Department of Defense brochure:



You should become familiar with the general provisions outlined in the main brochure before reading this fact sheet.

The main brochure also lists other fact sheets that are available.

This fact sheet provides information to help you understand the provisions of SBP, but it is not a contract document.

The basic statutory provisions of SBP law are in chapter 73, title 10, United States Code.

The insurable interest option is available only if you are unmarried with either no dependent children or one dependent child. You may elect insurable interest coverage for that child regardless of the child's age or dependency.

### **ELIGIBLE PERSONS**

People who can be covered are:

- a. Any relative more closely related to you than a cousin. This includes relatives such as parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half- brothers, dependent or nondependent child or stepchild; or
- b. A close business associate who would be financially affected by your death.
- c. If insurable interest is a relative related closer than a cousin no proof of insurable financial interest is required. All others require a proof of a financial insurable interest in the member.

### **DISABILITY RETIREMENT**

Effective November 24, 2003, if retired for disability and you die within one year of retirement for a cause related to a disability for which you were retired, an Insurable Interest election is invalid with the exception of Insurable Interest elections made for a dependent authorized a Military ID Card. Any premiums paid for an invalidated Insurable Interest election will be refunded to the designated beneficiary.

## **BENEFIT PAYMENTS**

The monthly SBP payment to an insurable interest person is equal to 55 percent of the gross retired pay (the base amount is always the gross retired pay) less SBP cost of coverage. Payments are increased by cost-of-living adjustments (COLAs) at the same time and by the same percentage as retired pay is increased.

## **SBP COSTS (PREMIUMS)**

The monthly cost is 10 percent of retired pay plus 5 percent more for each full five years the person covered is younger than the retiree. The maximum cost is 40 percent of retired pay.

### **Example:**

A retiree is 45 and the person covered is 32. The age difference is 13 years, or two full five year periods. Therefore the cost percentage of retired pay would be 20 percent:

$$10 + (2 \times 5) = 20 \text{ percent}$$

If retired pay is \$1,000 per month, then the monthly cost will be 20 percent of \$1,000, or \$200. The monthly benefit will be 55 percent of the remaining \$800 (\$1,000 - \$200 = \$800) of retired pay. Thus, the benefit amount will be \$440 (.55 x \$800 = \$440) per month.

**Base Amount: \$1000.00**

**Cost: \$1000.00 x 20% = \$200.00**

**Benefit: (\$1000.00 - \$200.00) x 55% = \$440.00**

## **CHANGE COVERAGE IN FAVOR A NEW SPOUSE AND/OR CHILD**

After retirement, coverage under this option may be changed to cover a newly acquired spouse and/or child within one year of the marriage, birth, or adoption.

## **TERMINATION OF INSURABLE INTEREST COVERAGE**

Since Oct. 5, 1994, insurable interest coverage for a beneficiary who is not a former spouse (prior to November 8, 1985, former spouses could only be covered as insurable interests) may be voluntarily terminated at any time by making a signed written request to do so that identifies you by name and social security number. If you are interested in terminating your insurable interest coverage, contact your finance center or Retirement Services Officer.

## **ELECTION OF NEW INSURABLE INTEREST BENEFICIARY**

Since Oct. 17, 2006, a member may within 180 days of the death of their insurable interest beneficiary elect in writing a new natural person insurable interest beneficiary. The member must live two years from the effective date of the election for the election to be valid. If the member dies before the end of the two year period from the date of the election, the election is invalid and any premiums paid since the effective date of this election will be paid in a lump sum to the person who would have been the deceased member's beneficiary. The member's premium for the new insurable interest election will be based on the age of the new beneficiary and will include the total additional amount by which the retired pay of the member would have been reduced before the effective date of the election if the original beneficiary had not died and had been covered under the plan through the date of the election, and had been the same number of years younger than the new beneficiary plus interest.

Current as of Dec 13